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November 24, 1986

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Illustration by Roger Schillerstrom

Offnet bid by NFL backers

Advertisers eye joint grid deal

By ROBERT RAISSMAN and CRAIG REISS

NEW YORK—Representatives of at least 12 major advertisers are considering the formation of a consortium that would offer $750 million to the National Football League for a five-year, prime time, offnetwork tv deal.

The group met Oct. 30 at the New York office of Grey Advertising's LBS Communications, the nation's largest barter syndicator. Among those present were Michael Browner, director of media operations for General Motors; Jerry Solomon, vp-general manager, Anheuser-Busch's Busch Media Services; William Croasdale, senior vp-network, Backer & Spielvogel, representing Miller Brewing; David Martin, exec vp, Stroh Brewery's Stroh Media Services; Mark Reiss, director of corporate media, Coors; Alan Gibbs, director of media buying, Gillette; John Drollinger, manager-corporate media, Coca-Cola; Arnie Semsky,

(Continued on Page 80)

Last Minute News

Bates may be out as Commodore's agency

WEST CHESTER, PA.—Commodore this week is expected to fire Ted Bates Advertising/New York and hire a Philadelphia-based agency. Likely winner is Lewis, Gilman & Kynett, which lost the Sperry account after the client's merger with Burroughs. The Commodore account is estimated to be in the $10 million range.

Rapp & Collins lays off 15 in New York

NEW YORK—Rapp & Collins, one of Omnicom's eight direct-marketing agencies, last week let go 15 employes at its office here and resigned its Consumer's Union account. The New York office is now down to 60 employes; the agency has 68 more in Dallas and California.

New AmEx unit selects Wunderman

NEW YORK—American Express' new Direct Marketing USA division has selected Wunderman, Ricotta & Kline to develop and market new services to card members. WRK, lead direct-marketing agency of Young & Rubicam, also will help AmEx develop direct-marketing programs and

(Continued on Page 8)

Ayer reported bidding for Cunningham & Walsh

By STEWART ALTER

NEW YORK—N W Ayer was reported to be holding conversations last week with Mickelberry Corp. about acquiring Cunningham & Walsh.

There was no official confirmation of these reports. However, several sources have confirmed, among other developments, that Mickelberry put out feelers to other agencies about possibly selling C&W.

Supporting the reports is the logic of an Ayer-C&W deal. C&W's package-goods-heavy client list offers almost no conflicts with the Ayer account list and Ayer's growing overseas network could prove a good match for those clients.

Privately held Ayer, which reported 1985 billings of $826 million, is strongest in corporate and image advertising for such clients as AT&T, the U.S. Army, Avon, Continental Airlines, DeBeers and General Motors. C&W, which reported 1985 billings for its group of companies at $340 million, has as its major clients Procter & Gamble, American Home Products and Sterling Drug.

Reports of the current negotiations were greeted officially with denials or silence. Louis Hagopian, chairman-ceo of Ayer, normally accessible to the press, did not return phone calls to his office over a period of several days. Other agency officials said they had no knowledge of such negotiations.

Phone calls to C&W chairman-ceo Anthony Chevins were routed

(Continued on Page 81)

NEWSPAPER

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Hot cold remedy—P. 3

Highlights

Advertisers eye NFL bid 1
Representatives of at least 12 major sports advertisers have met to consider forming a consortium to make a five-year, $750 million bid for the tv rights to the National Football League's prime time games. NFC tv contracts expire after this season.

Dimetapp's competitors sniffling 3
A.H. Robins Co.'s Dimetapp is racing for the No. 1 spot in the $1 billion cold/allergy category this winter, after taking share from every major brand and passing all but three other cold remedies in market share this year.

Christmas promotion perils 4
Retailers, trying to wean themselves from pre-Christmas sales to hype shopping, this year are pushing promotional incentives to entice early holiday business. The new cure, however, may be as bad as the disease itself.

Agencies train for future 24
Despite the wave of ad agency staff cutbacks and the fact that this might dissuade young people from agency careers, industry recruitment and training programs are not a thing of the past.

A resounding vote for car stereos 32
General Motors Corp. and Ford Motor Co. are cranking up the volume of advertising for car stereo systems. High-margin sound systems help manufacturers and dealers recapture some of the profits forfeited to consumer incentives and competitive base prices.

IBM-compatible publishing tops show 33
Desktop publishing, dominated so far by Apple Computer, is opening up to 8 million owners of IBM PCs and compatible systems. More than a dozen marketers, led by Xerox Corp. and Hewlett-Packard, kicked off a stampede of IBM-compatible products at the Comdex trade show.

Miller pushes light limits 78
Miller Brewing Co., defending its vital Lite beer brand, has split with other major brewers in a battle to shape federal rules for the marketing of low-calorie beers.

CATEGORY REVIEW

Wineries uncork ad options 12
The dark clouds over the California wine industry may be lifting, but ad agency executives have little reason to raise their glasses in celebration.

FEATURES

Burkoff's fables 36
"Around our club, the members call John, Jim, Hank and I the Other Four A's, the Advertising Agency of Antiquated Arizonians. We're all over 70, retired, live in Sunshine City, Ariz., and belong to the Mesa & Gorse Country Club, where we reminisce and play golf together at least three times a week."

INTERNATIONAL

Labatt targets U.S. and Europe 50
Labatt Brewing Co., Canada's leading beer marketer, will concentrate on the U.S. and Europe next year in its worldwide effort to increase sales. As its first step, the brewer has named John Morgan, now general manager of Labatt's Ontario region, president of Labatt Breweries of Europe, effective Dec. 15.

OTHER NEWS

Merchants predict this will be the year of the expensive gift, with strong sales anticipated for high-tech goodies such as 8mm camcorders and stereo tvs. Page 48.

Upjohn Co. has brought in an experienced hand with over-the-counter drug marketing to lead a new push into that competitive, $7.5 billion industry. Page 75.

The November sweeps are still in progress, but the Big 3 tv networks have begun planning their next competitive period. February will be a much more "competitive sweeps," predicts Paul Schulman, president of Paul Schulman Co., the network tv buying subsidiary of Advanswers Media Programming. Page 77.

General Foods, concerned that the top MBAs are eschewing marketing for other higher paid business careers, has tackled the problem by marketing marketing. Page 76.

Anheuser-Busch's decision to launch a complete and well funded campaign for Michelob Classic Dark indicates just how competitive the slumping beer market has become. Page 78.

Miller Brewing Co. will collect $1.95 million in cash as part of a $2 million out-of-court settlement against Robert Landau, former chairman of Robert Landau Associates, sports marketing/-sales-promotion agency. Page 79.

SPECIAL REPORT

Worldwide expenditures for marketing, advertising and public opinion research currently are $3.9 billion a year. About 46% of that is U.S. expenditures. The 15 largest research organizations in the world account for about 45% of the global market, and that figure is expected to increase to about 50% by 1990 because of aggressive growth in recent years.

REGULAR FEATURES

ADVERTISING MARKETPLACE	71	EDITORIAL	17	PERSONAL PRIVILEGE	73
ADWHIRL	74	FOR THE RECORD	79	PHOTO REVIEW	60
BACK PAGES	62	FORUM	18	PRESSTIME	8
BEYOND ADVERTISING	48	GARFIELD/ON THE LOOSE	66	PUBLIC RELATIONS BEAT	53
BRADY	46	GETTING PERSONAL	78	REGIONAL NEWS	64
BRADY'S BUNCH	62	LETTERS	20	STREET TALK	58
CON-SID-ERATIONS	17	MEDIA PEOPLE	69	T.N.T., THE NEXT TREND	40
CONTRACT SPORTS	34	MEDIAWORKS	54, 56	U.S. NEWSWATCH	4
CORRECTIONS & CLARIFICATIONS	6	NAMES IN THE NEWS	75	VIDEOTECH UPDATE	48
CURRENTS	38	OBITUARIES	79	WORDS	48
DIRECT AND PROMOTIONAL MARKETING	58	PARTING SHOT	45	WORLD NEWS ROUNDUP	3

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Time Inc. shows ardor for women

By STUART J. ELLIOTT

NEW YORK—Time Inc. finally has a stake in the women's magazine market—and then some.

The communications giant is now a force to reckon with in that lucrative field after the surprising disclosure Nov. 20 of a joint venture with entreprenuer Dale Lang to operate *Working Woman* and most of McCall Publishing Co.

"If you can't beat 'em, buy 'em" was one Time Inc. staffer's reaction to the news the company would join Mr. Lang, owner of *Working Woman* since 1978, in creating an as-yet-unnamed women's magazine publishing company generating $125 million in revenues in its first year.

The new company will be responsible for Mr. Lang's *Working Woman* and McCall Publishing's *Baby!*, *McCall's*, *Working Mother*, *Working Mother Digest* and *McCall's* special-interest titles.

Time Inc. is getting "into a sector of the business we've really wanted to get into for some time," said vp-group publisher Robert Miller, who will represent Time Inc. on the new company's board. In 1977, Time Inc. tested a title

NEWS ANALYSIS

called *Woman*, and its more recent magazine development efforts included two weeklies aimed at female readers, *Flash* and *Picture Week*.

Earlier this fall, sources said, Time Inc.'s top magazine executives had struck an agreement with Chicago's Pritzker family, owners of McCall, to buy that company outright, but it was turned down by Time Inc.'s new president-chief operating officer, N.J. (Nick) Nicholas Jr.

The rejection of that deal,

(Continued on Page 81)

Time pulls out of videotex try

By BRIAN MORAN

NEW YORK—Time Inc. has pulled out of Covidea, its year-old videotex venture with AT&T and Chemical Bank, accelerating a sweeping changing of the guard in videotex technology.

Time's withdrawal from the estimated $150 million-plus venture comes a week after CBS Inc. bowed out of Trintex, its videotex experiment with IBM and Sears, Roebuck & Co. (AA, Nov. 17).

In addition, the New York Times Co., the supplier of information from its newspapers and other publications to Covidea, confirmed last week that it is considering ending its participation.

Time says it now will participate in the technology solely as a supplier of editorial content. The company's Money will continue to provide weekly excerpts to Covidea.

The media companies that pioneered the industry as a hedge against competition are now rejecting it, turning over the reins to industrial and high-tech giants with more financial resources.

AT&T and Chemical Bank, each owning about 45% of Covidea, said they will continue the venture. San Francisco-based Bank of America has sought regulatory approval for more than a year to become another partner in Covidea. Ogilvy & Mather here handles the service, so far limited to businesses and homes in the New York area.

Time has never disclosed its investment in the venture, begun in mid-1985, but sources estimate it at between $10 million and $15

(Continued on Page 84)

West Coast News

Grayson becomes 'California' publisher

LOS ANGELES—*California* named marketing director Perry Grayson to replace Richard Trent as publisher. Mr. Trent is raising capital to bid on four Harte-Hanks Communications' San Diego-area newspapers.

LAGUNA HILLS, CAL.—**Soladyne Pacific Corp.** hired Johnston Thoen & Lindh, Los Angeles, to replace Bernard W. Feldman Creative Services as agency for Handy Tan, suntan lotion in a bracelet (AA, Aug. 4). The company plans to take Handy Tan national in 1987, backed by a $2 million ad effort.

SAN FRANCISCO—**Fairmont Hotels** named Gardner Communications to handle its $1.5 million-to-$2 million account previously with Allen & Dorward. Cole & Weber and FCB/Direct also competed. Gardner resigned the Claremont Hotel account, estimated at about $300,000, and the account for the San Francisco Marriott Hotel, under construction.

EVERETT, WASH.—**Jantzen** subsidiary Jansport, an outdoor equipment marketer, awarded its estimated $1 million account to Elgin Syferd, Seattle. Former agency is Janklow Bender, New York.#

ADWATCH

Burger battles take smack at Mac

But its ad awareness is still No. 1

By JULIE FRANZ

The battle of the big burgers already is causing some fallout in advertising awareness for the top three burger marketers.

Heavy advertising for Burger King Corp.'s Whopper, Wendy's International's Big Classic and McDonald's Corp.'s McD.L.T. cooked up some significant changes in fast-food advertising awareness in Advertising Age's adWatch survey for October.

Both Miami-based BK and Wendy's, Dublin, O., increased their shares of first mentions when consumers were asked to name the fast-food advertising that first came to mind from all seen, heard or read in the past 30 days.

Oak Brook, Ill.-based McDonald's, the heaviest ad spender of the three, continues to hold first place in this recall category, but it lost ad recall share.

AdWatch is a joint project of Advertising Age and SRI Research Center, Lincoln, Neb.

Consumers are queried on the first ad they remember over-all as well as in a variety of product areas. During October, 1,000 consumers were polled by telephone.

Ironically, the largest gain was logged by Wendy's, whose advertising consumer awareness increased 3.5 percentage points to 9.4% of first mentions.

That gain was made on the strength of advertising for its new Big Classic burger (AA, Sept. 22), which will be the last major Wendy's campaign from DFS Dorland Worldwide, New York. DFS was pink-slipped five weeks after the campaign began (AA, Nov. 3).

Like its rivals' big burgers, Wendy's Big Classic is loaded with condiments.

Its point of difference is that Big Classic is served on a corn-dusted kaiser roll. The ads tout Big Classic's freshness, saying, "This is the good stuff."

Top-of-mind awareness of Burger King's advertising gained 5.1 percentage points, giving it 17.4% of first mentions in October. BK continued its "Burger King town" effort but also ran more hard-hitting commercials comparing the Whopper with McDonald's McD.L.T.

Network tv spots harken back to BK's 1982 "broiling versus frying" campaign and compare the chain's made-to-order style with what BK characterizes as McDonald's assembly-line production.

J. Walter Thompson USA, New York, handles BK.

McDonald's advertising has cast its "have it our way" preparation system in a positive light. "Wheel of Fortune" hostess/goddess Vanna White and others humorously "chastise" McDonald's for not saying how many condiments are piled on its McD.L.T. (whether you want them or not, of course).

Ms. White reads a letter to McDonald's, complaining that because McD.L.T. is loaded with more yummy ingredients than just lettuce and tomato, it should be called "The one with the works."

Leo Burnett USA, Chicago, handles McDonald's.

That campaign broke during the week of Oct. 13 and covered only the final seven days of the October adWatch polling period. It will have a chance to produce more solid results in November.

In October, recall of McDonald's advertising fell 4.7 percentage points to 41.2% of first mentions, still good enough for first place in the category by a wide margin.

Changes in advertising awareness that are deemed statistically significant by adWatch researchers are those attributed to more than sample variation.

Ibuprofen this year has become a hot commodity in the pain-reliever segment as new products begin flooding the market, sparking heightened consumer awareness of product advertising. Awareness of advertising for Whitehall Laboratories' Advil gained 3.5 points in the **medicine and drug** category, boosting its share of first mentions to 9%. Young & Rubicam, New York, handles Advil.

That gain placed Advil in second place in October, up from third the month earlier. Ads for Johnson & Johnson's Tylenol remained in first place with 24.8% of first mentions, while Sterling Drug's Bayer fell to third with a 4.9% share.

Whitehall's Anacin was fourth with 3% of first mentions.

Joining the list of top five ad recall winners in medicine and drugs was Bristol-Myers Co.'s Nuprin with 1.3% of first mentions, that brand's first appearance among the top five. Grey Advertising, New York, handles Nuprin, which goes after Tylenol in its tv spots.

October's 10 best-recalled advertisers, named without requesting a specific product category, in descending order: Coca-Cola, Anheuser-Busch's Budweiser/Bud Light, McDonald's, Pepsi-Cola, Miller/Miller Lite, California raisins, Ford, Chrysler, E. & J. Gallo Winery's Bartles & Jaymes and General Motors' Chevrolet.

Making a surprise appearance among the top 10 is advertising for California raisins, sponsored by the California Raisin Advisory Board. The board's spots, created by Foote, Cone & Belding, San Francisco, have captured the attention of the advertising industry and consumers alike by featuring animated clay raisins dancing to Marvin Gaye's hit "I Heard it Through the Grapevine."

The seemingly endless line of finger-snapping raisins (decked out in sunglasses and white gloves) was created by Portland, Ore.-based Will Vinton Productions (AA, Oct. 20).

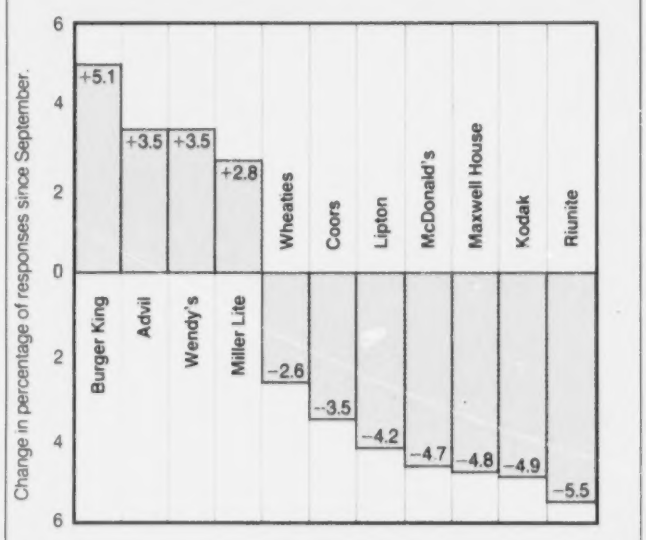
Among other significant changes in the October adWatch data:

- In the **camera** category, awareness of advertising by Eastman Kodak Co. fell 4.9 points, dropping its share of first mentions to 19.4%, Kodak's lowest ad share since March. August, September and Oc-

(Continued on Page 82)

October winners and losers

Question: Of all the advertising for (product category) you have seen, heard or read in the past 30 days, which ad first comes to mind? *Source: SRI Research Center Inc., Lincoln, Neb.*



Cooper named new editor of 'Creativity'

New York—Ann Cooper is assuming the additional post of editor, *New York Creativity*, Crain Communications' monthly publication covering the creative community.

A. Cooper

As editor, Ms. Cooper will direct coverage of the production, film, illustration, photography and packaging industries. She continues to serve as AA's senior editor-creative, writing in-depth profiles on top creatives in the advertising world.

New York Creativity, a pullout section for Advertising Age subscribers in the New York area, made its debut Sept. 8. It appears the first Monday of each month with features and news about agency creatives, producers, commercial production house directors and editors, animators, creators of special effects, commercial music composers, musicians and producers, photographers and other persons engaged in printing and graphics design.

Ms. Cooper joined AA in November, 1984, as a writer, and was promoted to senior editor-creative in February, 1986. Previously a London-based free-lance journalist, she served earlier as an editor with *Marketing* and *Campaign*. She has a bachelor's degree from Napier College, Edinburgh, Scotland.#

CORRECTIONS & CLARIFICATIONS

- Ad linage totals for *New Woman* were 80.6 pages for November, 1986; 70.8 pages for November, 1985; 811.0 pages for the cumulative 1986 total, and 608.2 pages for 1985. These figures were inadvertently left out of the November Consumer Linage Report (AA, Nov. 17, P. 102).
- *Sportswear International*, the U.S. trade publication that covers men's, women's and children's sportswear, is owned by VSI International, New York, not Jean Frey AG of Switzerland (AA, Nov. 10, P. S-24). The Frey organization owns Sportswear International publishing rights for Europe only.#

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Agency training survives the cut

By STEWART ALTER

NEW YORK—Despite the wave of ad agency staff cutbacks and the fact that this might dissuade young people from agency careers, industry recruitment and training programs are not a thing of the past.

J. Walter Thompson USA here, which recently cut deep into its personnel rolls (AA, Nov. 10), says it will continue its agency training program, one of the more extensive in the business.

However, the agency did cut four or five people from this year's program, though with 35 it still has "more people than ever before," said Steve Dworin, senior vp-management director and head of the professional development program in JWT's New York office.

New programs also are emerging from smaller agencies that have not formally trained in the past. TBWA Advertising this past summer launched its "TBWA Junior" program.

Programs also are continuing among other agencies that have cut staff because of sluggish ad spending. SSC&B added eight international recruits this past summer to a training program that started with eight U.S. trainees in 1985. The agency has no plans to cut back on the program, a spokeswoman said.

Ogilvy & Mather, another shop cutting back staff this year, has "increased our training budget for next year," said Graham Phillips, chairman of O&M-U.S.

"I get the impression that the cutbacks are not affecting entry-level positions," said Bob David, who recently launched the Institute for Advertising Management, a training program here for account managers new to the advertising business.

This is not to say that everyone is painting a rosy picture. "I think there's a lack of enthusiasm for training programs and for young people coming up," said Gloria Viseltear, president of Huss Viseltear, a New York executive recruiting company. She believes talk about training programs, and programs themselves, have slowed down.

In some cases, the total numbers in a training program don't tell the whole story. DFS Dorland Worldwide, one of the agencies that laid off employes earlier this year, still has 40 people in its management training program. But there are fewer newcomers and more on-staff employes in the program.

"We're not hiring at the same level," a DFS spokeswoman said.

On the creative side, the shop previously hired eight to 14 entry-

(Continued on Page 28)

Mergers, layoffs spur mixed agency quarter

By STEWART ALTER

The third quarter, normally unimpressive for advertising agencies in non-Olympics years, is the focus of unusual interest this year because of the number of mergers and personnel layoffs that have taken place.

Omnicom Group took a $34.3 million tax writeoff to account for nonrecurring losses arising from the three-way merger that created it in August. BBDO International, Doyle Dane Bernbach Group and Needham Harper Worldwide combined to form Omnicom.

Flattened ad spending took a heavy toll on JWT Group's net income because the agency continued to invest in additional staff and salaries throughout the quarter. But the agency finally responded to the profit squeeze two weeks ago, as had Ogilvy Group, with major layoffs.

Interpublic Group of Cos., which steered a conservative course, avoiding acquisitions and keeping expenses in line, came across shiningly in these difficult advertising times. Net income rose 18.4% to $4.0 million in the quarter; 18% to $26.4 million for the nine months.

"Our operating costs were in line" and "we're a very balanced operation around the world," said Eugene Beard, exec vp-chief financial officer of Interpublic. That balance came into play in October, for example, when sluggish package-goods spending in the U.S. was offset by General Motors' heavy backing of its 2.9% GMAC financing program, explained Mr. Beard.

"One big area that is overlooked is in the acquisitions we do," said Mr. Beard. "We do our acquisitions in-house, and we are very conscious of the price we pay and do not chase price on acquisitions."

Omnicom, which did not pay any price for any acquisitions, nonetheless paid a dear one in the form of its $25.5 million writeoff to account for consolidating and restructuring operations. The agency wrote off another $8.9 million for professional services and discontinuation of incentive-award plans.

Rather than disturbing Wall Street, the huge writeoffs are getting high marks. Charles Crain of Prudential-Bache Securities said that while it was "more than I expected," he was "not at all" disturbed by it. "The more the merrier as far as I'm concerned," he said, explaining that if they write everything off now, it makes for less chance of any surprising declines in earnings down the road. Besides, Omnicom's promised 98% annual dividend was unaffected and the writeoff "was not all cash expense." It "was not as if they had gone out and drained their cash reserves," he said.

Robert Pfundstein, chief financial officer of Omnicom, explained that most of the writeoff involved real estate leases for space no longer needed following the consolidation.

For example, Omnicom now takes up only one floor in Needham's former New York headquarters building; Needham had had five. That's an extra rent "in excess of $3 million annually," said Mr. Pfundstein, noting that it would take at least six months to sublet. Consolidating computer operations was another expense; foregoing a lease on an IBM computer is costing between $500,000 and $700,000. Other costs associated with the merger included printing new stationery around the world for the merged DDB Needham Worldwide—$600,000. The investment banker's fee came to $2.5 million for putting the deal together.

Foote, Cone & Belding Communications showed an impressive 23.4% gain in net income, though in part that reflects the acquisition of Leber Katz Partners in New York and the restatement of 1985 earnings. That absorption of LKP, whose strongest earnings period is in the fourth quarter, involved a restatement that reduced nine-month net income for 1985. Also, said chairman-ceo Norman Brown, "Third-quarter revenues [generally] reflect some shifting of expenditures by clients from the fourth quarter, rather than an over-all increase for the year."

However, there were real improvements, too. "Net new-business performance" was up to $110 million for the first nine months, compared with $45 million in the same period of 1985.

At JWT Group, chairman-ceo Don Johnston observed that "operating income from Thompson Company declined because commissions and fees in most regions around the world were below what we had planned, as our advertising clients spent less than they budgeted." Mr. Johnston noted, "to date there is no indication that the rate of advertising spending will improve in the fourth quarter."

JWT's results were helped by a $2.6 million pretax gain resulting from the "curtailment of a domestic pension plan," said Mr. Johnston. But results were hurt by a higher tax rate and lower earnings at both Thompson and Hill & Knowlton, its pr subsidiary.

Ogilvy, whose chairman-ceo William Phillips said "the advertising environment remains difficult in most parts of the world," also benefited in the third quarter from such nonoperating factors as "higher interest and investment income, including the initial interest payment by Continental Airlines in settlement of their Chapter 11 debt." Continental had owed Ogilvy subsidiary Scali, McCabe, Sloves money from when it was the airline's agency.

Mickelberry Corp., which was doing poorly even when the other agencies were doing well in recent years, did even worse, losing $765,000 in the third quarter compared with a $59,000 loss in the third quarter of 1985.

"Along with many marketing-services companies, our operating results this year have been disappointing," said James Marlas, chairman-ceo. "Deflated media rates, a sluggish economy and aggressive pricing by competitors have taken their toll. No major clients have been lost and some significant new ones have been added, but over-all client spending has been well below our expectations," he said.

Lorimar-Telepictures' advertising segment (not in the chart), showed operating income of $1.0 million in the third quarter, compared with a loss of $1.8 million a year earlier, reflecting "the successful January, 1986, merger of Bozell, Jacobs, Kenyon & Eckhardt," said the company.#

Agency financial results

The third quarter produced a varied picture. Some agencies, like The Interpublic Group and Foote, Cone & Belding, produced impressive third quarter net income gains, while others, like JWT Group and Mickelberry Corp., showed big declines. NM means not meaningful. Source: *Advertising Age*.

Agency	Income ($000) 1985	1986	(%)	Revenues ($000) 1985	1986	(%)
Third quarter						
FCB	1,905	2,350	+23.4	72,013	81,429	+13.1
Grey	2,154	2,384	+10.7	53,393	61,843	+15.8
Interpublic	3,337	3,952	+18.4	156,247	190,723	+22.1
JWT	4,366	2,693	-38.3	137,710	152,144	+10.5
Mickelberry	(59)	(765)	NM	30,263	31,130	+2.9
Ogilvy	4,932	5,023	+1.8	115,187	132,756	+15.3
Omnicom[1]	(147)	(29,804)	NM	152,874	178,537	+16.8
Nine months						
FCB	8,796	9,644	+9.6	222,704	239,542	+7.6
Grey	7,358	6,794	-7.7	160,992	187,689	+16.6
Interpublic	22,374	26,411	+18.0	485,064	573,985	+18.3
JWT	10,337	11,421	+10.5	405,225	460,513	+13.6
Mickelberry	839	(194)	NM	99,981	97,448	-2.5
Ogilvy	15,968	14,698	-8.0	340,302	391,625	+15.1
Omnicom	17,911	(10,677)	NM	480,002	541,832	+12.9

[1]Omnicom Group loss reflects a $34.3 million write-off of non-recurring expenses related to merger that created company.

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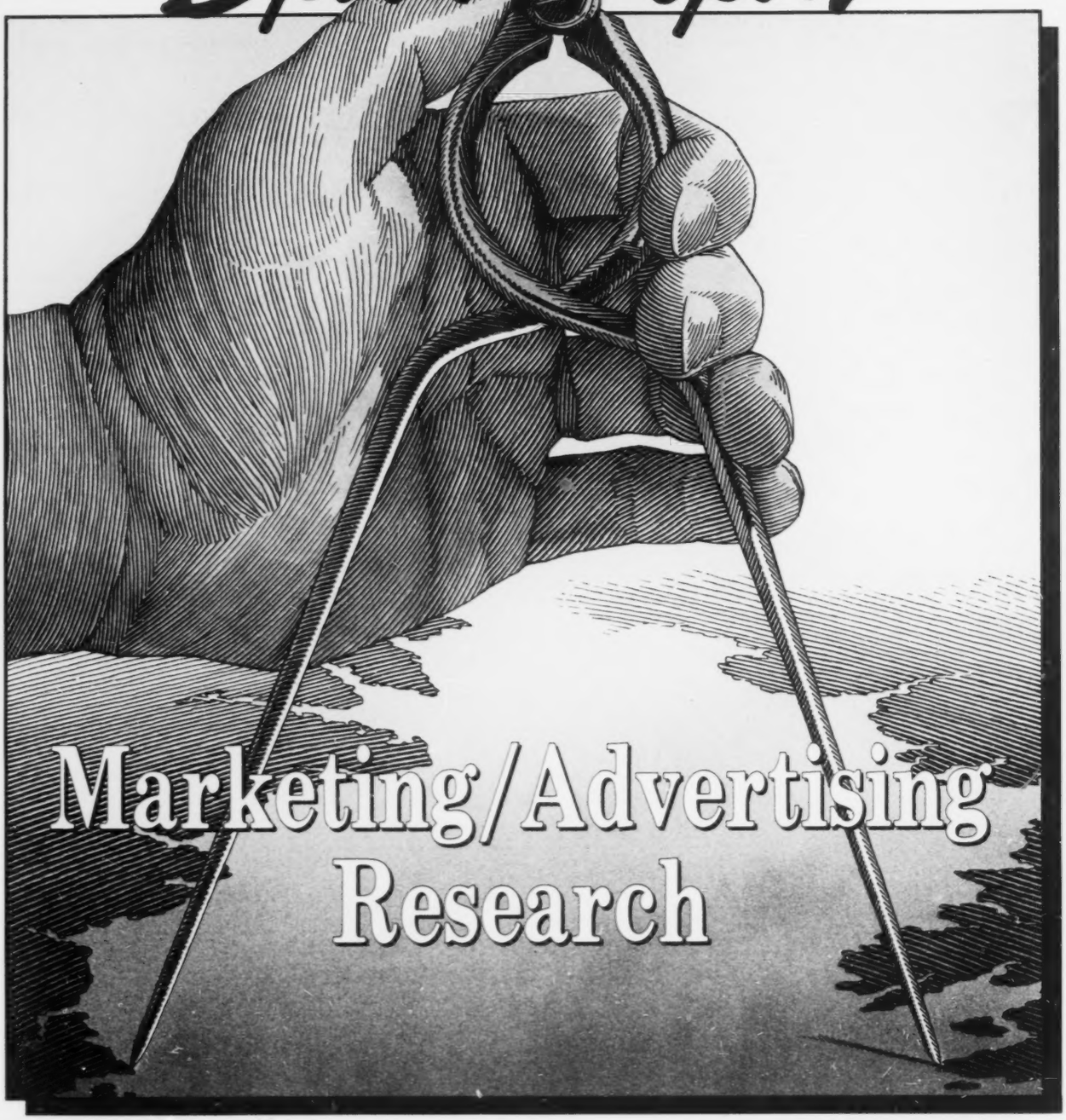


Marketing/Advertising Research

Ranking top players in growing global arena

By Jack J. Honomichl

Worldwide expenditures for marketing, advertising and public opinion research currently are $3.9 billion a year. About 46% of that is U.S. expenditures.

The 15 largest research organizations in the world account for about 45% of the global market, and that figure is expected to increase to about 50% by 1990 because of aggressive growth and acquisition policies some have followed in recent years. These are the main findings of this first-ever world ranking, prepared exclusively for ADVERTISING AGE.

Because all revenue figures have been converted to U.S. dollars at the rates prevailing in the third quarter of 1986, some countries—and companies—show more strength than they would have two years ago when the dollar was relatively strong. *(Other cautions related to estimating world volumes are outlined in an accompanying article on Page S-2.)*

Jack J. Honomichl covers research for ADVERTISING AGE, including a monthly column.

Relative cost of a usage and attitude study with same specifications—by country

Based on 1986 Swiss Francs

Index avg. base =100

Switzerland	155	Netherlands	81
France	149	U.K.	80
Italy	136	Finland	77
Sweden	123	Norway	76
Denmark	120	Spain	75
West Germany	113	Belgium	59
Austria	108	Greece	50

Source: Jan C.J. Oostveen, research director, Centrum, Amsterdam, The Netherlands. Article published in *European Research.*

The country-by-country estimates *(see chart on Page S-2)* in most cases are based on data from two or more sources and reflect the situation as of mid-1986. Almost all the figures show significant increases over 1985 levels. It cannot be determined how much of that is because of inflation, which runs high in some countries, shifts in the relative value of the U.S. dollar and local currencies, or "real growth" because of increased use of research. However, it seems that the world research market is growing. The exact growth rate cannot be determined.

Also, there is no correlation between research expenditures and the amount of research being conducted. A recent issue of *European Research* shows that a specific research project could cost as much as three times more to execute in one country than in another. An illustration, based on a usage and attitude study, shows on the table at left.

(Continued on Page S-2)

Markets

(Continued from Page S-1)

For instance, Switzerland has a cost index of 155, contrasted to 50 for Greece. This is caused primarily by a labor cost differential and the relative strength of local currencies to a common standard (Swiss francs in this case). The formula continuously changes, and it varies from one type of research project to another—including pending acquisitions and known volume levels—about 45% of the world market. But the main point is that dollar expenditures alone can be quite misleading, and this would be even more apparent if we had comparable data for countries in Asia (except for Japan, Hong Kong or Singapore, where a given project would cost about the same as in the U.S.).

The Nielsen marketing/advertising research units, with $517 million from 27 countries in 1985, continue to be the world's largest; still, ACN has just about 13% of the world market. Since the ACN merger into parent Dun & Bradstreet, more exacting and current information on the ACN operation is not in the public domain, but ACN undoubtedly is benefiting from current currency relationships because about 52% if its business is outside the U.S.

The impact of this is shown in the IMS International data, which are running about 34% ahead of '85 levels, mostly because of shifting currency relationships.

In total, these Top 15 have estimated revenues of $1.72 billion currently (pending acquisitions are included, as are current volume levels, as known). Because many of the top 15 have aggressively expanded into new countries, acquired subsidiaries and launched new services, these top 15 will control close to an estimated 50% of the world market by 1990.

Today, the top 15 are being managed, for the most part, from just three locations—London, New York and Chicago. Only two are truly still in private ownership—Infratest and the NPD Group.

The balance are either public companies or owned by public companies, including three worldwide advertising agencies: JWT Group, Dentsu, and Ogilvy Group. Details on these companies, how they got started, the key people involved and a description of their activities fol-

(Continued on Page S-4)

Research figures are dollar-estimates

The U.S. dollar size-estimates, for both individual countries and large worldwide research organizations, should be considered workable estimates, not precise figures. The reasons:

1. We are dealing with the ever-shifting relationships of numerous foreign currencies vis-a-vis U.S. dollars. As much as possible, those exchange rates prevailing in the third quarter of 1986 were used, but some of the estimates, based on 1985 data, may well be based on significantly different rates.

2. The quality—and completeness—of country-by-country market-size estimates varies considerably. In some countries—especially the U.K., Japan, Switzerland and Germany—the dollar volume of major research firms located there are in the public domain, but the "all other" volume accounted for by smaller firms, nonprofit research agencies etc., was estimated. In some countries, the figures are based on estimates from local industry leaders.

3. There is risk of overcounting. Because the estimates for most major countries come from totaling the volume of major firms based in that country, it is not always possible to eliminate the portion of that work done in other countries.

For instance, if a U.S. company does a survey in Canada and subcontracts the field work to a Canadian-based firm, the field work portion could be counted in both the U.S. and Canada. This is a particular problem in Europe, where almost all research agencies work outside their home country, either through affiliates or subcontracting.

It is estimated that this could lead to overstatement of as much as 8% in some countries, and 3% or 4% on average. (Data from the U.K. is particularly "clean" in this respect.) Revenues reported by AMSO, the Assn. of Market Survey Organizations, a British professional group, exclude nonresearch volume, intercompany transfers and overseas subsidiaries.

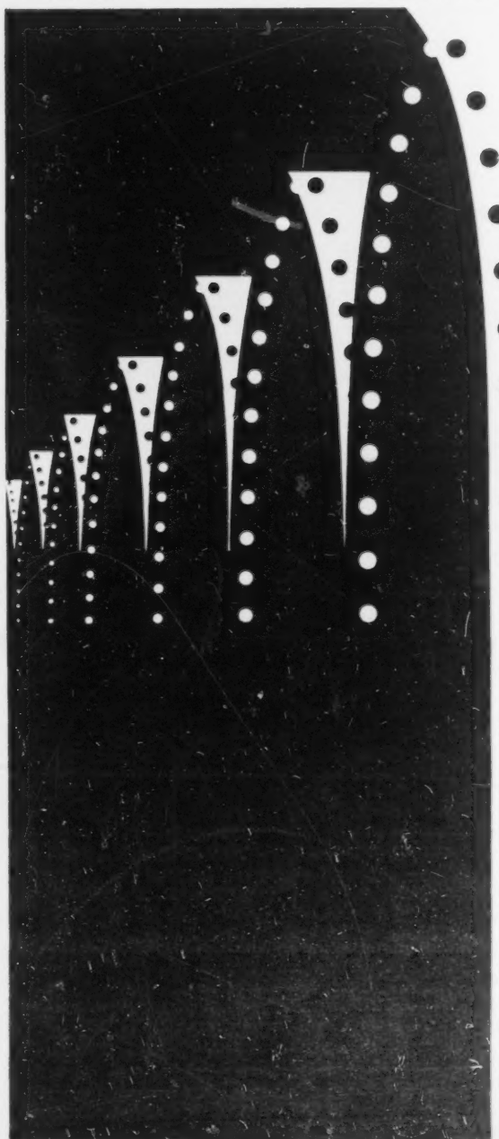
4. In the case of the top 15 worldwide research organizations, the latest (i.e. 1986) volume estimates have been used, including those of pending acquisitions *(see company-by-company profiles for details)*. In many cases, this results in much higher estimates than reported for these companies for 1985.

Much of this difference results simply from a shift in the relationship between the U.S. dollar and the company's home currency. Some of it may be due to acquisitions, finalized or pending. And, of course, some may be attributed to natural growth.

However, the financial estimates in this article are considered current and accurate enough for relative rankings.

One last caution—because the research dollar volume of one country is twice that of another, do not assume that twice as much research is being done.

In fact, the cost of doing exactly the same project in one country can be as much as 2.5 or 3 times as much as in another, often because of differing labor costs. —*Jack Honomichl*



Estimated size of total marketing/advertising research market

Country	Annual volume U.S. Dollars* (000,000)	Country	Annual volume U.S. Dollars* (000,000)
United States	$1,800	New Zealand	$14
United Kingdom	345	Ireland	13
Fed. Rep. Germany	325	Argentina	10
Japan	260	Venezuela	9
France	215	India	8
Canada	175	Hong Kong	7
Italy	150	Singapore	4
Australia	84	Thailand	4
The Netherlands	82	Greece	4
Mexico	70	South Korea	4
Switzerland	54	Saudi Arabia	4
Spain	29	Malaysia	4
Brazil	28	Philippines	3
Sweden	27	Taiwan	3
Austria	25	Indonesia	3
Belgium	22	All other Middle East	3
Finland	18	Kuwait	2
Norway	16	Egypt	1
Denmark	15	Pakistan	1
South Africa	15	All others**	3
		Total	**$3,859**

* Rounded to nearest million dollars
**Yugoslavia, Morocco, Ivory Coast, Nigeria, Kenya, Sri Lanka, Peru, Chile, Hungary, Central America and China
Source: Advertising Age compilation

Number of foreign research companies conducting research in each listed country in the past two years

Country	Companies	Country	Companies
Germany (FRG)	283	Indonesia	51
France	262	Singapore	51
United Kingdom	223	Finland	44
Italy	183	Brazil	43
United States	176	Taiwan	43
Netherlands	163	Malaysia	42
Canada	156	Greece	38
Belgium	151	Thailand	37
Spain	106	Philippines	36
Switzerland	101	Korea (ROK)	35
Japan	100	South Africa	34
Sweden	87	Egypt	31
Denmark	71	Kuwait	29
Austrailia	69	Venezuela	22
Norway	65	Nigeria	17
Austria	61	Kenya	16
Hong Kong	59	Ivory Coast	15
Mexico	56	Yugoslavia	14
Saudi Arabia	52	Misc./Eastern Europe	7

Source: Paper by Philip Barnard, Research International, presented to ESMOR

15 largest marketing/advertising research organizations*
Worldwide, mid-1986

Organization	Approximate revenues ($ 000,000)	Number of countries with operations	Headquarters location	Ownership
1. A.C. Nielsen	$517	27	Northbrook, Ill.	Dun & Bradstreet
2. IMS International	260	30	New York/London	public
3. SAMI/Burke	171	2	New York	Time, Inc.
4. AGB Research	135	23	London	public
5. Arbitron	122	1	New York	Control Data
6. Information Resources	95	4	Chicago	public
7. GfK Nuremberg, E.V.	70	13	Nuremberg, W. Germany	Co-op
8. MRB Group	56	9	New York/London	JWT Group
9. Research International	50	29	London	Ogilvy Group
10. Infratest	50	7	Munich, W. Germany	private
11. M/A/R/C	46	1	Dallas	public
12. Video Research	45	1	Tokyo	private (Dentsu)
13. Market Facts	39	2	Chicago	public
14. NPD Group	36	1	New York	private
15. Maritz Market Research	31	1	St. Louis	Maritz, Inc.
	$1,723			

*Including pending acquisitions
Source: Advertising Age compilation

Global markets widen

(Continued from Page S-2)
low in the company profiles.

1 A.C. Nielsen Co. Northbrook, Ill., wholly owned subsidiary of Dun & Bradstreet Corp.

In 1923, a 26-year old graduate of the University of Wisconsin, fueled by $45,000 in capital provided by fraternity buddies, rented a small office in the Harris Trust & Savings Bank building in Chicago to start a research company, the fourth such endeavor in the U.S. Sixty-one years later this company had grown to be, by far, the largest marketing/advertising research organization in the world—and Dun & Bradstreet paid $1.3 billion to buy it.

The young man, of course, was the late Arthur C. Nielsen Sr., who probably did more than anyone else to shape and develop the worldwide marketing research industry.

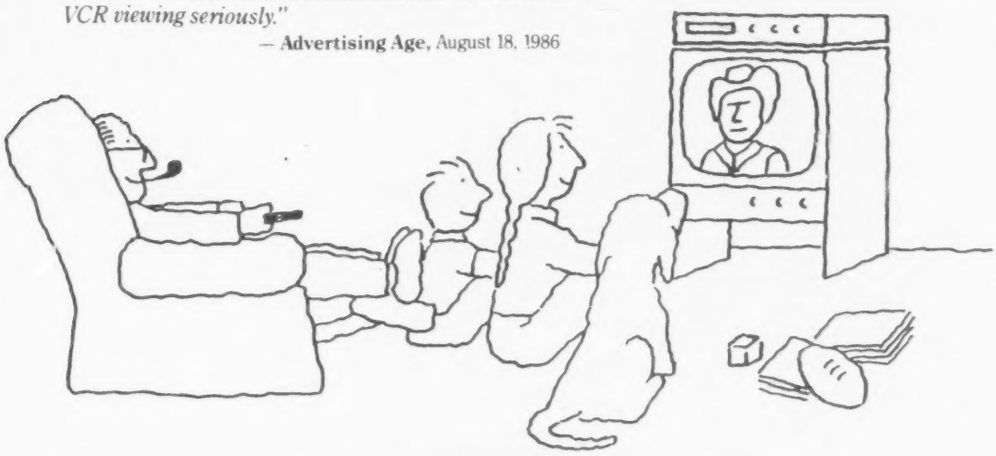
For the first 10 years, and into the Depression, the Nielsen Co. did survey work, mostly for industrial marketers, and it was tough going. Then in 1933, ACN launched a syndicated service, The Nielsen Drug Index, which was based on a projectable sample of drugstores to measure product movement and market size.

Henry Burk
A.C. Nielsen

In the process, Mr. Nielsen established the concept of "share of market," which turned marketing into an ego-driven horse race—and ACN had *the* scorecard. More marketing decisions, expenditures and careers have been affected by that simple share-of-market statistic than any other. Seven months after NDI, ACN started its grocery-

(Continued on Page S-6)

"Total U.S. penetration of VCRs, at the time of the survey, was 34% — a level that indicates advertisers need to take VCR viewing seriously."
— **Advertising Age**, August 18, 1986



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To those aiding project

Numerous research organizations and individuals provided considerable assistance in the preparation of country-by-country research market size estimates.

A special "thank you" is extended to:

William "Jay" Wilson, Starch INRA Hooper, Mamaroneck, N.Y.; Jerry E. Stafford, NFO/SRG International Ltd., North White Plains, N.Y.; Philip Barnard, RBL Group of Companies, London; Masonobu Ishikawa, Video Research Ltd., Tokyo; John R. Goodyear, MRB Group Ltd., London; Ann Burdus, AGB Research, London; Kurt Heller, IHA-GfM, Hergiswill, Switzerland; Jan C. J. Oostveen, Centrum, Amsterdam; Gregorio DeVilla, Gregorio DeVilla y Asocietos, Mexico City; and the Professional Marketing Research Society and the Canadian Assn. of Marketing Research Organizations in Canada.

—Jack Honomichl

Global markets widen

(Continued from Page S-4)
store counterpart, the Nielsen Food Index, and Mr. Nielsen was on the way to worldwide fame and fortune.

The Nielsen expansion outside the U.S. started at the most improbable time—1939, on the eve of World War II. Lever Bros., a charter Index client in the U.S., suggested that Mr. Nielsen visit the head of Unilever's U.K. operations, taking a letter that praised the value of Index data and suggesting that a similar audit system be set up in the U.K.

When asked to do this, Mr. Nielsen noted that a war was brewing. The U.K. Unilever executive replied, in effect, "Mr. Nielsen, there will be a war in some part of the world in every year we're alive; if you let that deter you, you'll never expand."

Shortly afterward, the new ACN office in London was destroyed by bombs, and the office was moved to Oxford, adjoining the university, on the theory the Germans wouldn't bomb the campus. It's still in Oxford.

During the war, ACN continued foreign expansion: Canada in 1944, Australia in 1948, the Netherlands (Unilever's home country) in 1952, Belgium in 1954. Today, ACN has subsidiaries in 27 countries, employing about 14,000, and offers a wide variety of services beyond the original Index services.

ACN is secretive about the size of its business volume in each country. But 1985 estimates suggest the following breakout: U.S., $248 million; Germany, $41.5 million; Mexico, $35 million; U.K., $23.5 million; Switzerland, $5.2 million; all others, $132.3 million.

Since being acquired by D&B in 1984, various A.C. Nielsen units have been absorbed into D&B. Both of the research units —Nielsen Media Research, with '85 revenues of $103 million, and Nielsen Marketing Research, with '85 revenues of $414 million —now are billed as "a company of the Dun & Bradstreet Corp." (Internally, research operations report to Henry Burk, president.) Richard W. Vipond is president of the marketing unit, and James D. Lyons is president of the media unit; both report to Jack C. Holt, a D&B exec vp.

ACN has pioneered many significant research industry developments: Funding of the first electronic computer (UNIVAC I) for commercial purposes; using meters to measure media audiences (the radio Audiometer, 1942); using supermarket panels for "experimentation" (1933); making a public issue of stock in 1956; being the first customer to install the IBM 3090 model 400 upgrade computer and taking methodologies into the international market place on a syndicated basis.

2 IMS International, New York, a public company. Of total IMS revenues of $248.7 million in 1985, 70% were attributed to marketing research operations through 54 offices in 30 countries producing data on 60 countries, almost all related to the marketing of healthcare services. The U.S. subsidiary, IMS America, Ambler, Pa., had marketing research revenues of $86.9 million in 1985. The balance of IMS revenues, $75 million, comes from trade publications and various life science services.

IMS began operations in 1957 and became a public company in 1972. Technically, the home office is in New York, but both top executives—Andrew L. Clark, chairman, and Robert Louis-Dreyfus, president-ceo and scion of a very wealthy French clan that joined IMS in 1982—maintain London offices.

Geographical sources of mar-
(Continued on Page S-8)

U.S. companies go international

Of the top U.S. companies, 75% are involved in international markets. Of those, 81% have a designated international division: Nine out of ten of those divisions are headquartered in the U.S.; only 28% have a research director.

These are a few of the key findings from a study recently cosponsored by Starch INRA Hooper, Mamaroneck, N.Y., and Haug International, Los Angeles, its West Coast associate. Questionnaires were sent to all the *Fortune 500* industrials and *Fortune 500* nonindustrials, plus client company lists of the two companies. There was a 24% return rate.

Other findings from this study, which updated a similar 1969 study, were:

- The international areas of most concern to U.S. companies are Europe, the Far East, Australia, New Zealand and Canada, in that order.
- Approximately two out of three U.S. companies involved in international work conducted some type of marketing and/or economic research related to overseas markets during the past year. Secondary-source research as well as trade and distribution studies led the list. In the case of consumer goods marketing companies, attitude and behavior studies are most frequent.
- In two-thirds of the cases, international research budgets are allocated on a project-by-project basis; only 29% make a lumpsum, fiscal-year budget allocation.

"Our respondents indicate they feel management is more interested in overseas research now than two or three years ago," says William "Jay" Wilson, president of Starch INRA Hooper and International Research Associates. "However, the lack of good background data for planning a study, the high cost of doing research overseas and the lack of sufficient budget were frequently mentioned problems with overseas research."

For a copy of the complete study report, write Mr. Wilson at Starch INRA Hooper, 566 E. Boston Post Rd., Mamaroneck, N.Y., 10543.

—*Jack Honomichl*

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Global markets widen

(Continued from Page S-6)

keting research revenues currently break down as follows: North America, 50% (in part because of the '85 acquisition of two U.S. companies, Luning Prak Associates and LPA Audit); Europe, 35%; Pacific, 9%; Latin America, 5%, and Africa, 1%.

Operating profits on IMS marketing research activities in '85 were up 28%. Total revenues for the first six months of 1986 were up 38.6%. If this growth holds, IMS market research revenues could come close to $260 million in 1986.

The company's original—and basic—business was setting up audits to measure the movement of pharmaceuticals. This led to monitoring the incidence of disease and physician treatment for such diseases. A major activity now is sales territory analysis. Most major world pharmaceutical makers are IMS clients.

IMS has two main EDP centers in Frankfurt and Ambler, with European coding operations in Spain. Clients have online access to various IMS data bases. IMS' growth has been fueled by new service development, acquisitions and foreign expansion. Approximately 3,000 people work in the marketing research operations, headed by Christian Tourres, a London-based IMS senior vp.

Robert Louis-Dreyfus
IMS International

3 SAMI/Burke, New York. Wholly owned subsidiary of Time Inc.

SAMI, its origins in a feasibility study instigated by the late J. Clarke Mattimore in Grand Rapids, Mich., in 1964, specializes in measuring package goods product movement in retail stores. The basic system, amalgamating warehouse withdrawal data on thousands of package goods sold through food stores, reports product movement and share data on 28-day cycles for each of 54 unique marketing areas. A similar system reports on drugstore product movement in 30 markets. In 1985, SAMI introduced a service called SAMSCAN, which reports on product movement from samples of UPC scanner-equipped supermarkets.

In 1986, SAMI purchased Burke Marketing Services, Cincinnati, a company founded in 1947. Its activities, through a fulltime staff of 520 in 42 offices, include: Tv copy testing; test marketing; survey research; predictive market modeling (BASES division); the Burke Institute, which markets an extensive curriculum of courses related to marketing research, and Burke International Research, Ltd., Agincourt, Ont., Canada. Also, in a joint venture with Infratest called Burke International, the company fields multinational surveys through a network of owned/affiliated companies.

The two organizations merged

Carlyle G. Daniel
SAMI/Burke

in September into a new company called SAMI/Burke, with Carlyle G. Daniel, formerly president of SAMI, as chairman-ceo. Jack E. Brown, formerly chairman of BMSI, is president. SAMI/Burke currently is estimated to have revenues of $171 million.

SAMI/Burke, in a joint venture with Arbitron Ratings, has established an organization called ScanAmerica to develop a national single-source tv audience-product movement service. It currently is being tested in the Denver SAMI market area. ScanAmerica, which recently purchased the rights to Telecount Systems, also is planning a system that will electronically record, via computer, on-air running of tv commercials in selected markets.

4 AGB Research PLC, London. Public company.

This worldwide conglomerate was founded in 1962 as an ad hoc survey company by three ex-Attwood Research employes.

AGB derives its name from its original principals: Bernard Audley, who continues as chairman; Richard Gaper, deceased, and Douglas Brown, who has retired.

AGB went public in 1970 and entered into large-scale syndicated studies in the U.K.—first with the AGB Home Audit of domestic appliance purchases based on a 50,000-household panel, and later a grocery package goods panel. In 1968, it won the contract to measure U.K. tv audiences.

AGB now provides tv audience data, derived from either mail diaries, meters or people meters, in 14 countries, from Italy to Hong Kong.

During the 1960s and 1970s, AGB pursued a vigorous acquisition policy, purchasing six research companies (including Attwood) in the U.K. alone. In all, AGB has purchased entirely, or

The sobering truth about new product test marketing

Fairy tale environment for fairy tale data...

The artificial product environment used for scanner-panel, controlled-store test markets is a fairy tale world in which a product receives perfect stocking, pricing, display and promotion at exactly the right time. The critical element of trade acceptance is virtually ignored.

RESULT:
These test results can be fatally misleading when this artificial environment gives way to national realities.

vs. real world environment for real product research.

The strength of a product and its marketing plan can be measured accurately only when pitted against all the realities of the marketplace.

In recent years, however, access to electronic scanner panels has led some marketers to take a costly shortcut. In accepting controlled store distribution as part of the test package, they've bypassed the most critical variable in product distribution.

In the real world, new product sell-in must get past many bends in the pipeline:

First, sophisticated retailers now judge a product on how it fits into their product mix, weighing the item's impact on their business, not the manufacturer's.

Second, there's only so much space on crowded shelves. Acceptance often hinges on whether a store can delete marginal performers to make room.

Third, food chains are varying their format from store to store, and buying decisions often vary by type of format.

Finally, even chain acceptance is no guarantee the product will be available in all its stores. Increasingly, store managers decide what products will go on their shelves.

RESULT:
Uneven distribution — it's a fact of life for any new product, no matter how strong its sales force.

These factors must not be overlooked in new product testing. To try to ignore or adjust for them is perilous.

How to overcome these pitfalls?

NPD Local Market Panels. Based on natural sell-in tests, available in major markets around the country, and designed to measure all aspects of a new product's merchandising program, these panels are proven to be accurate for national projections. We challenge you to compare the results.

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Bernard Audley
AGB

an interest in, close to 60 research companies worldwide. U.S. acquisitions include NFO Research and Information & Analysis.

A U.S. startup venture, AGB Television Research, has announced plans to have a 2,000-household people meter panel operating by September, 1987, with plans to expand to 5,000 households by the fall of 1988.

Seven major U.S. ad agencies and CBS-TV have signed agreements to buy audience data, assuming the system is on schedule, and the quality of the data is satisfactory.

AGB also is trying to establish itself in the U.S. radio audience measurement business through a methodology utilized by an Australian subsidiary.

AGB's most vigorous expansion, however, has been in Asia. The company has acquired research operations in Australia, New Zealand, Hong Kong, Singapore, Taiwan, Malaysia, the Philippines, Thailand, Indonesia and Korea. Recently, AGB announced a letter of intent to purchase ASI Market Research in Japan.

That acquisition would add about $8.5 million to the AGB Group revenues of $125.35 million for fiscal year ending April 30, 1986. That would account for about 78% of AGB's total revenues. The remainder is generated by publishing, information systems and marketing services.

5 Arbitron Ratings Co., New York. Wholly owned subsidiary of Control Data Corp.

The predecessor to Arbitron was American Research Bureau, founded in 1949 by Jim Seiler, research director of WRC-TV, Washington, D.C., to measure tv audience viewing with mail diaries. In 1952, ARB merged with a West Coast company, Cooper, Coffin & Clay, which was trying to establish a similar service in Los Angeles. In 1954, ARB merged with C.E. Hooper's organization, Hooper Inc., and started to break out of the pack of companies vying for leadership in the then-booming electronic media audience measurement field. It started radio audience measures in 1964.

ARB pioneered use of metered household panels for tv measurement in New York in 1958, and in 1973, the company name was changed to Arbitron. In 1967, Arbitron was purchased by computer conglomerate Control Data Corp., Minneapolis.

Arbitron, with annual revenues of $122 million in 1985, produces tv, radio and cable audience studies at the local-market level using mail diaries or panels of meter-equipped households. Surveys in 214 tv markets, 11 of which are now measured by a combination of mail diaries and meters—with plans for three more by 1987—account for about 52% of revenues. The balance comes from diary measurements in 260 radio markets.

In 1984 Arbitron bought 40% interest in Burke Marketing Services, Inc., but this interest was sold this year to SAMI, the Time Inc. subsidiary.

Arbitron has about 1,600 full- and parttime employes in 20 U.S. office locations. A telephone interviewing center in Laurel, Md., has 55 stations and,

Theodore F. Shaker
Arbitron

among other things, is used for custom surveys.

The main thrust of Arbitron today is a joint venture with

(Continued on Page S-10)

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Global markets widen

(Continued from Page S-9)
SAMI/Burke, with each putting up one-half of the money to develop a new national tv audience measurement system called ScanAmerica, which also obtains data on household purchasing activity via wand scanning of UPC codes on package goods brought into panel households.

Control Data, the Arbitron parent company, recently signed a letter of intent with SFN Companies Inc. to acquire its subsidiary, Broadcast Advertising Reports, and the BAR subsidiary, Radio-Tv Reports. These two units have an estimated annual volume of $30 million.

Chairman of Arbitron is Theodore F. Shaker, and the president is A.J. (Rick) Aurichio.

6 Information Resources Inc. Chicago. Public company.

The youngest and fastest growing company of the top 15, IRI started in 1978. Its first product was single-source test marketing facilities, called BehaviorScan, the first two of which came on line in late 1979 (there are now 10 BehaviorScan markets).

The purchasing activity of household panels in these markets is linked, via UPC code scanning of package goods sold in food and drugstores, to cable tv viewing. Additional household panel clusters not linked to tv viewing were added to the BehaviorScan network to create a service called Marketing Fact Book, which produces ongoing hard copy reports on product purchasing activity and access to a database for analysis.

John Malec
Information Resources

By 1983, IRI's revenues had grown to more than $12 million, and it made a successful public issue of its stock, the proceeds of which have fueled acquisitions.

In 1985, IRI acquired Management Decision Systems, Waltham, Mass., which had revenues of about $25 million. MDS specializes in market modeling, simulated test marketing systems, data management software systems, forecasting and consulting. Since then, IRI has acquired the Data Group, a survey company; Keystrokes Inc., which monitors newspaper feature ads, and Marketing Advancements, specializing in coupon distribution analysis.

The combined revenues of all these operations is expected to be $95 million in 1986. IRI this year announced creation of a new package goods monitoring system, InfoScan, which can relate purchasing to store level promotions.

About $5 million of IRI revenues today come from foreign operations, with offices in London, Paris and Sydney, Australia, to market decision support software; a licensing and technical assistance agreement with Nihon Kezai Shimbun, a Japanese publishing company, for application of IRI-MDS systems in Japan; and a joint venture with GfK to develop a BehaviorScan-like system in Germany.

Of the original founders of IRI —John Malec, Gerald Eskin, William Walter and Penny Baron—two remain active, Mr. Malec as chairman and Mr. Eskin as vice-chairman. Gian Fulgoni is president and ceo.

7 GfK-Nuremberg E.V., Nuremberg, Federal Republic of Germany. Co-op company.

Founded in 1934 by the late Wilhelm Vershofen, a professor at the Nuremberg Economic University, GfK, which would be termed a co-op in the U.S., primarily supports approximately 700 private and corporate members.

Member companies need not be German, and GfK will do projects for nonmember companies. It is a for-profit organization which is taxed, but excess revenues are plowed back into building the organization and expanding the range of services.

Today, the GfK conglomerate includes six research organizations in Germany—including two located in Frankfurt—all but one of which are 100% owned. It also has an interest in 14 organizations outside Germany—six of which are wholly owned, the balance from 9% to 73% owned. Two are in Japan, two in Austria; others are located from Denmark to the U.K.

Werner Ott
GfK

There are about 610 employes in the main units in Nuremberg, and 185 in other German-based operations. Revenues in the 1985 fiscal year were $70 million, about 30% of which came from units outside Germany.

GfK research activities in Germany include tv audience measurement via metered household panel; consumer products research, including a purchase diary panel; analysis of

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census data; automotive research; media research, and industrial research. One unit publishes syndicated market analysis reports based on market dimension data from numerous countries. Also, GfK has set up a scanner-equipped panel of food stores to report on grocery product movement in Germany.

Several U.S. research companies use GfK's services in Germany. It is the German representative for McCollum/Spielman Research's ACT tv copy testing methodology. It has joint ventures with Information Resources to set up a Behavior-Scan-like test market system in Germany, and with the NPD Group to develop databases on the purchasing of sports and electronic equipment by combining store audits and consumer surveys.

The ceo of GfK is Werner Ott.

8 MRB Group, New York. Subsidiary of JWT Group.

Earlier this year, JWT consolidated its worldwide research holdings into a new division, MRB Group, which reports directly to Don Johnston, JWT's ceo. Total revenues are estimated at $56 million, including the pending acquisition of Winona Research.

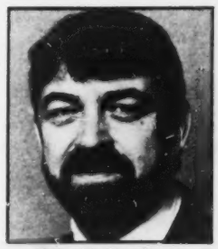
One unit of MRB is MRB Group Ltd., headquartered in London and reporting to John Goodyear. The domestic unit, Simmons Market Research Bureau, New York, reports to Frank Stanton. Both of these men report to Mr. Johnston, who is also chairman of J. Walter Thompson Co.

Frank Stanton
MRB

The international unit recently (AA, Aug. 18) absorbed two new companies, Basisresearch in Germany and Japan Market Research Bureau, into its fold. Each had been a research subsidiary of the local J. Walter Thompson agency office.

The MRB Ltd. organization started in 1979 when four U.K.-based research companies—British Market Research Bureau, Mass-Observation, Market Behaviour and European Market Research Bureau—merged. A new subsidiary, the Media Research Consultancy, was set up in the U.K. in 1980. The same year another arm, Market Behavior, was established in the U.S.

In 1980, MRB also bought Europena Market Research Bureau Italia—S.r.l. in Italy—and a year later, MRB formed a joint venture company in Sri Lanka together with the Indian Market Research Bureau Ltd. In 1983,



John R. Goodyear
MRB

MRB formed a new U.K. subsidiary, Telephone Market Research Bureau, and acquired a 60% stake in Middle East Research and Consultancy, Ltd., headquartered in Bahrain. There are financial links to EMRB Hellas, Athens, and with the Indian Market Research Bureau, Delhi.

In the U.S., JWT finally acquired 100% ownership of Simmons Market Research Bureau earlier this year. SMRB is the leading U.S. company in measuring print media audiences and cross-referencing those data with purchase behavior. Its revenues in 1985 were $16.5 million, which accounts for about 30% of the total MRB Group total.

The U.K. operation centers on the British Market Research Bureau, which calls itself "the oldest established market research agency in Great Britain . . . first incorporated in 1933." Originally, BMRB was a retail audit research company, but today emphasizes advertising media audience and advertising research, featuring the Target Group Index, which relates exposure to purchasing behavior.

9 Research International, London. Wholly owned subsidiary of Unilever, being acquired by the Ogilvy Group.

This group, billing itself "the world's largest full service marketing research organization," finds its roots in the worldwide Unilever complex and its future—presumably by year's end—as a wholly owned subsidiary of the Ogilvy Group, which announced last June its intention to purchase most, if not all, of the RI member companies (AA, August 18). RI sales in 1985 are estimated at $50 million.

(Continued on Page S-12)

Ian M. Hunt
Research Int'l.

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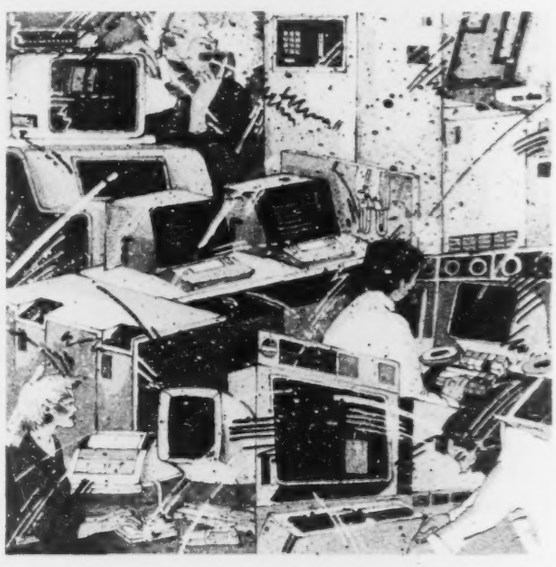

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Global markets widen

(Continued from Page S-11)

In 1972, under the leadership of Eileen Cole, the research units of local-country Unilever companies around the world were brought together under one management, first headquartered in Rotterdam.

The main unit, Research Bureau Ltd., for instance, continued legally to be a subsidiary of Unilever UK, but operationally was a subsidiary of RI.

The network now includes offices in 29 countries and research activities in dozens more, a professional staff of more than 800 and a field force of more than 5,000 interviewers.

In 1977, RI headquarters relocated to London to attract non-Lever business, which now accounts for approximately 70% of the RI total, although Unilever remains the biggest client by far.

RI expanded in 1981 by acquiring Marplan from Interpublic (and rights to use the Marplan name anywhere in the world).

In Germany, the two RI companies, IVE and Marplan, are closely linked, but in the U.K. the two, RBL and Marplan, are less-closely affiliated.

About 25% of RI business is now in the U.K., 25% in Germany and France, with the balance scattered through countries including Brazil, Finland, Norway, Pakistan, South Africa and Zimbabwe.

The range of activities is equally broad: Attitude and usage studies, product testing, print and tv advertising testing, new product development, modeling, image research, pricing research, panels and databases.

The U.S. RI unit, Research International-New York, headed by David Pring, was set up in late 1979 and now accounts for about $2.5 million a year.

In March, 1985, Miss Cole retired. Taking her place as ceo of RI was Ian M. Hunt, previously head of the RI company in Hamburg, Germany.

According to the pending deal with Ogilvy, 15 of the largest RI companies will be purchased. The smaller units are not included, either because of their small size or local laws that inhibit acquisition by nonnationals.

Mr. Hunt will continue as ceo.

10 Infratest Forschung KG, Munich, Federal Republic of Germany. Private partnership.

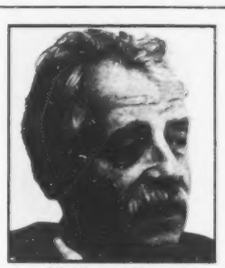
Infratest was founded in 1947 by the husband-wife team of Wolfgang and Lena-Renate Ernst to specialize in media research.

The first major activity was radio audience research for Bavarian Radio.

Today, the company is still strong in advertising/media research. For 19 years, it has participated in the annual German Media Analysis study, a standard reference for publishers and advertising agencies.

Lena-Renate Ernst
Infratest

Through a network of subsidiaries and affiliates throughout the world, Infratest, still owned by the Ernsts, is a major factor in international automotive, financial, social, political, healthcare, economic and industrial research, as well as national and multi-national ad hoc survey work.



Wolfgang Ernst
Infratest

The company's business still is concentrated in western Europe, however. Total Infratest revenues for 1986 are estimated at $50 million.

The parent, located in Munich, is a combination of separate units that specialize (e.g., media/advertising, social research, etc.), and are from 60% to 100% owned by the parent, a holding company.

There are about 290 fulltime Infratest employes in Germany, plus a parttime field force of 2,000. The units outside Germany employ 292, of whom 125 are in the U.K.

Infratest took a big step into worldwide research in 1980 when it purchased from 34% to 100% interest in seven research subsidiaries of Burke Marketing Services.

This gave Infratest direct penetration into the U.K., Italy, France, Belgium and Sweden—

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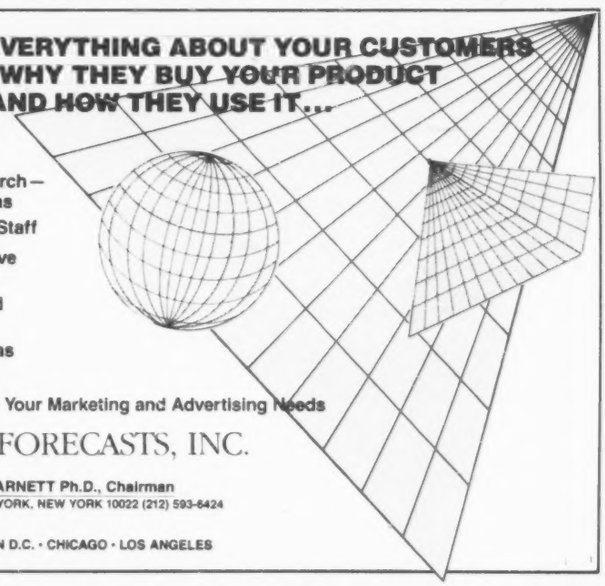

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plus an affiliation with the Burke company located in Frankfurt.

A byproduct of this transaction is that Infratest ended up owning a 5% share of BMSI, and BMSI ended up owning 5% of a new Infratest international subsidiary company.

Also, the two have established —and have 50-50 ownership of —a new company, Burke International Research, which fields multinational studies through the six ex-Burke companies in Europe and five other former BMSI subsidiaries (now affiliates) in Brazil, Venezuela, Japan, Australia and Argentina.

Also, BMSI and Infratest own 67% of BGI-Gartner Group, Stamford, Conn., which fields international market studies of the high-ticket office equipment market.

In 1983, Infratest bought ABT Research in Bonn, a subsidiary of ABT Associates, Boston, a research-consulting company.

Infratest is estimated to have a dominant position in the West German healthcare research market, automotive/accessory market and financial market research. Recently the company has been expanding into the database business. About 55% of total Infratest revenues come from work within West Germany with annual growth rates running between 10% and 15%.

11 M/A/R/C Inc. Irving, Tex. Public corporation.

M/A/R/C finds its roots in a Dallas-based ad agency, Tracy-Locke, since acquired by BBDO. The research department of Tracy-Locke, which had been established by Cecil B. (Bud) Phillips in 1950, was split off in 1965 as a stand-alone profit center called Marketing and Research Counselors.

Mr. Phillips, who had left to work in a marketing management job at the Dumas-Milner division of American Cyanamid

Cecil Phillips M/A/R/C

Co., returned to head the operation, and he still continues as chairman, ceo and president of the company.

The company name was changed to M/A/R/C Inc. in 1985 as the organization, by then separate from Tracy-Locke, made a public issue of its stock.

M/A/R/C primarily specializes in telephone surveys, with central phone centers in three locations totaling 275 positions, all CRT-equipped.

Software and systems developed for telephone interviewing are leased in the U.S. and in Europe through an Amsterdam research company called Interview.

M/A/R/C has a system called Local Market Network—composed of local field offices with CRT-equipped interviewing positions on-line to a computer in Dallas—that recently was expanded to 30 markets.

This brings M/A/R/C's total phoning capacity to about 490 positions.

M/A/R/C also operates a Neighborhood Panel, which is a census-balanced national mail panel composed of 300,000 households. The company has about 340 salaried and 186 hourly staff employes in 13 U.S. offices.

M/A/R/C has made one acquisition, a research company called Trendex, which has since been discontinued.

The part of total M/A/R/C revenues for its most current fiscal year attributable to research activities is $46 million.

12 Video Research Ltd. Tokyo. Closely held corporation.

This organization, which only works in Japan, was founded in 1962 by Dentsu (the largest advertising agency in Japan and one of the largest in the world), Toshiba and 18 of Japan's major commercial television companies.

Later, Hakuhodo Inc., Daido Advertising Inc. and two tv stations also became company stockholders.

Masanobu Ishikawa Video Research

Using 1985 revenues and 1986 conversion rates for the yen, VR's annual volume is about $45 million.

There are 252 fulltime salaried employes in eight offices. Dentsu holds a 36% interest in VR.

VR activities include radio and tv audience research throughout Japan using mail diaries or panels of meter-equipped households (they are currently developing a new "highly sophisticated" on-line meter equipped with a VCR sensor, an individual viewer measuring device and a home scanning device that can be used for scanning bar codes); monitoring of all tv and radio commercials on-air (including the length of seconds and the GRP for each ad and/or product); and an audience and consumer report compiled by surveying the actual contact with four major media

(Continued on Page S-16)

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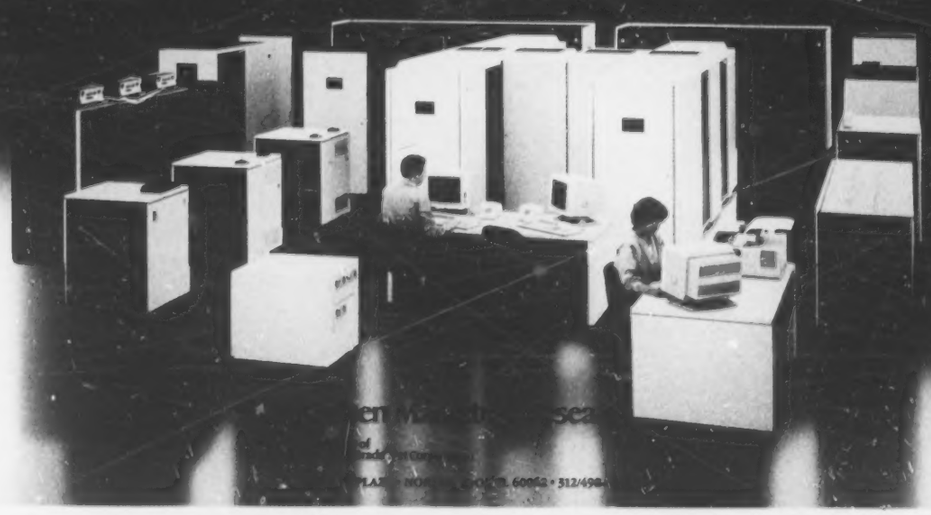
The 3090 Series are IBM's newest mainframe computers and the Model 400 is the latest in that series. Nielsen Marketing Research recently took delivery of the very first of these units, the fastest, most powerful general purpose computers in the world today. Having the first of these computers was a natural for the company that was the first to offer a comprehensive scanning based management tool. It was also a necessity.

This upgrade in computing capacity was precipitated by the tremendous growth in the amount of scanner generated data we process each week and the strong client response to the information they are receiving. Manufacturers are finding weekly UPC data on a national basis and from 26 individual markets to be extremely valuable to their marketing efforts. Many have been working with Nielsen scanning information since 1980. The retail trade is also making widespread use of Nielsen to guide their merchandising and buying decisions. Add to this growing client usage the steadily increasing number of stores that provide us data (over 1,600) and climbing) and the addition of still more local markets, and the importance of having the most powerful computer becomes clear.

Of course, if a company is just starting a scanner based service or has fewer clients or isn't overly concerned about trendability, back data or a truly representative sample, they might be able to get along quite nicely with a lesser computer.

We need the most powerful computer in order to bring you scanning's most powerful service. The computer our business needs is the IBM 3090 Model 400. The service your business needs is Nielsen SCANTRACK. And it's here now. Don't wait on promises.



Global markets widen

(Continued from Page S-13)
and products (i.e., brand usage, ownership, attitudes and life style from single source); and a telephone interviewing program that obtains purchasing data on consumer goods.

VR is now establishing a single-source test marketing system similar to BehaviorScan.

Masanobu Ishikawa is president of Video Research Ltd.

13 Market Facts, Chicago. Public corporation.

This conglomerate, founded by William F. O'Dell in 1946, is incorporated in Delaware and publicly listed (NASDAQ:MFAC).

The U.S. operations had revenues of $37.8 million in 1985, not including revenues from Market Facts of Canada Ltd., Toronto, in which it holds a major equity, but not controlling interest.

If prorated, the Canadian firm would add about $1.2 million to the MF figure, making a total of $39 million, a level expected to hold in 1986.

MF growth was spurred by Mr. O'Dell's relations with Ford division, Ford Motor Co., which accounted for nearly 50% of revenues (and growth) through the 1950s and into the 1960s.

Today, MF's client list is well-stocked with package goods companies, and the services offered include, in addition to traditional survey research, the Consumer Panel, a fixed mail panel of 235,000 households; a network of four mall interviewing sites; central telephone interviewing centers with a total of 116 interviewing stations; and Marketest, a controlled store auditing capability for custom test marketing and in-store experimentation.

David K. Hardin
Market Facts

During 1985, MF acquired a survey company, Tortorello Group. MF has 540 salaried employes in eight offices in the U.S.

Both top MF executives, David K. Hardin, chairman, and Verne B. Churchill, president-ceo, have been with MF since the 1950s. Mr. O'Dell, who left the company in 1964, is retired.

14 NPD Group, Port Washington, N.Y. Privately held corporation.

NPD is owned by founder and chairman Henry Brenner and president-ceo Tod Johnson. Revenues for 1986 are estimated to be $36 million, most of which comes from operations in the U.S., although NPD has minority ownership of International Surveys Ltd. in Canada and is the U.S. member firm in the Europanel group headquartered in Switzerland.

Also, there is a joint venture with GfK for international data bases on purchasing in the sporting goods and electronic equipment markets.

NPD started in 1953 when Mr. Brenner, who had just been fired by Standard Brands (and from four previous research positions), and his wife, Anne, took over an ad hoc mail panel operated by Standard Brands, renamed it Home Testing Institute and, working out of the basement of their home, tried to build the 3,000-household panel into a viable business.

Henry Brenner
NPD

At the time, only NFO Research had such a panel as competition.

In 1965, with support from Scott Paper Co., Mr. Brenner started a consumer purchase diary panel subsidiary to HTI; it was called the National Purchase Diary Panel. Today, the NPD panel is the largest such operation in the U.S. At the time Tod Johnson purchased one-half interest in the NPD panel in 1971, it was a $500,000 business.

In the 1970s NPD started to diversify: Services include a custom diary panel, local market networks for test marketing and application of the mail diary methodology to nonpackaged goods marketers such as toys and restaurant dining, apparel, etc.

In 1981, the NPD and HTI operations became one, and the company became the NPD Group. There are three offices in the U.S. and 335 fulltime salaried employes.

15 Maritz Market Research, Fenton, Mo. Subsidiary of Maritz Inc.

The parent company, specializing in employe motivation, communications and travel programs for major corporations, has an annual volume (fiscal year ending Mar. 31, 1986) of $563 million.

The company first got into consumer research via acquisition of Lee Creative Research in 1973.

There have been three subse-

(Continued on next page)

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Senior research people on the move

Information Resources Inc., Chicago, has announced several senior staff additions: **Dan Lackner** to vp, marketing decision support systems, from manager, end-user computing, Baxter Travenol, Chicago; **Jim Thompson** to vp, InfoScan product management, from brand manager, Quaker Oats, Chicago; **Dick Orstead** to vp, western region client service, from vp, client service in the Menlo Park, Cal., office of Nielsen Marketing Research; **Ben Swiggett** to vp, InfoScan product management, from group brand manager, Warner Lambert, Morris Plains, N.J.; **Gary Overhultz** to vp, InfoScan product management, from consumer package goods specialist, the Chicago office of Metaphor Computer Systems; **Dick Majers** to vp, client service, eastern region, from vp, client service, Hackensack, N.J., office of Nielsen Marketing Research; and **Alan Gordon** to vp, client service, from the Northbrook, Ill., office, Nielsen Marketing Research. Other people moving:

Susan Rynn to research director, Association of Independent Television Stations (INTV), Washington, D.C., from manager of research, USA Network.

Herbert Weinberger to vp, O-Xicro-N, New York, from vp, corporate research director, Selling-Areas Marketing, (SAMI), New York.

Jeffrey Harris to vp, International Communications Research, Media, Pa., from vp, client services, R.H. Bruskin Associates, New Brunswick, N.J.

Kenneth A. Fox to director of market research, NutraSweet Co., Skokie, Ill., from associate director, market research, Bearice/Hunt Wesson, Fullerton, Cal.

(Continued on Page S-18)

Markets

(Continued from previous page)

quent acquisitions, and the MMR operation now has annual revenues of $31 million, about 58% of which comes from full-service survey work.

The balance of the revenue comes from a data collection network of 18 central location

William H. Lewellen
Maritz

offices called Quality Controlled Services.

The full-service system has nine offices. In total, there are 200 fulltime exempt professionals in the company, and in total a telephone interviewing system with 435 operating stations.

The company recently opened a state-of-the-art 83,000 sq. ft. mailing facility for large-volume mail surveys.

MMR president is William H. Lewellen, who is also a vp of the corporate parent.

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Questionnaire sheds light on client methods

By Fred D. Reynolds

In recent years, the supplier side of the research industry has gained considerable attention, while far less is known about the client side.

Though there may be a lack of clarity about its boundaries, there is no longer a complete lack of information about the supplier side of the industry, nationally or internationally. Our picture of the client side is almost a total blank.

The University of Georgia Center for Marketing Studies—in its first annual measure of marketing research expenditures—has taken a first step toward tackling this problem. Unlike other studies that have attempted to integrate information on a survey questionnaire, our study collected detailed information at the company level and integrated it later.

This approach arose out of extensive conversations with 30 research directors who present seminars each year to the university's master's of marketing research degree students.

For this study, research directors were simply asked to provide expenditure records as they keep them, in any format and degree of detail.

The study's method worked, even though the level of detail provided by the companies differed widely. Some companies keep very detailed accounts, while others maintain only "top line" records. The method is limited by the amount of detail provided by each company.

The respondent list for this study came from Advertising Age's 1985 lists of top 200 leading national advertisers. We selected the 53 consumer package goods divisions of companies in the following product categories: Food and snacks, soaps and cleaners, beverages and tobacco. Other product categories will be included in future years.

Thirty-six per cent of the companies on the list provided data; 15% refused and 49% ignored the request.

The distribution of respondents by budget level is: 21% below $5 million; 36%, $5 million-$10 million; 14%, $10 million-$15 million, and 29% greater than $15 million.

The results are presented in the following table. On average, consumer goods companies spent $11.6 million for marketing research in 1985, an increase of 6.5% from 1984. Fifty-five per cent of the respondents reported this to be an increase, 33% reported a decrease, and 11% showed no change in this kind of expenditure. These companies allocated 41% of these expenditures to continuous market measurement (tracking) and 59% to custom research.

Fred D. Reynolds is Coca-Cola professor of marketing and director of the Center for Marketing Studies at the University of Georgia, Athens.

Expenditure shifts . . . suggest a renewed emphasis on new product development.

A substantial proportion of the increased spending from the previous year went to market measurement, while expenditures on custom research showed only a slight gain over 1984. Most companies did not provide detailed breakouts for market measurement expenditures, so it is not possible to chart the allocation to the newer technologies, such as scanner-based data, vs. older technologies, such as paper diaries.

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People

(Continued from Page S-17)

PROMOTIONS

James W. Carter, vp and general counsel, elected to the board of directors, Nielsen Media Research, Northbrook, Ill. **D. R. Rizzardini** and **R. P. Derr** to vp's, account management, Nielsen Marketing Research.

Ellen M. Saxon to research director, organizational research group, Opinion Research, Princeton, N.J. **Michael A. Zicha** to research director in ORC's Chicago office.

Ellen Cohen to head the newly created Simmons Custom Media Studies Division of Simmons Market Research Bureau, New York, from vp, Media Studies Division.

Also at SMRB, **William Cook** and **Kay Wall** will assume responsibilites for technical management and sales of all syndicated services in addition to the Simmons Annual Study of Media and Markets.

Nancy Gilden to director, marketing services, consumer research services, Custom Research, Minneapolis, from account manager.

However, most companies did provide sufficient detail concerning custom research expenditures by major purposes as shown in the table. For example, advertising research, primarily copy research, commands about 17% of a consumer goods company's custom research budget. In contrast, research on promotions is less than 3%.

Qualitative research, such as focus groups, accounts for almost $800,000 of the annual budget compared to in-market experiments at $1.1 million. In-market experiments include the newer methods such as ERIM and AD TEL as well as the more traditional controlled market and controlled store tests.

New product research (concept and product, simulated and nonsimulated) received more allocation than existing product research—22% vs. 17.8%.

New product research also showed the largest increase over 1984. Expenditures were up 10% from the previous year for this purpose.

In contrast, existing product research declined 5% on products, 2% on packages, and 17% on promotions. Advertising research and qualitative research held their relative positions in the over-all custom budget, increasing 2%.

There also appears to be a significant re-allocation of custom research expenditures in the area of in-market experiments. Most companies reported 1985 data in sufficient detail to place in-market in the distribution of custom expenditures at 16%. However, because only a small number reported such detail in 1984, the base for calculating the per cent change is too small to accurately estimate. Subjective estimate of the change is 15% to 20%, with the largest increase accounted for by electronic test markets.

Marketing research budgets and shifts in expenditures are driven by a complex interplay of influences. Market measurement levels tend to reflect the orientation of managers toward the amount of information they need to be confident or at least comfortable in evaluating marketing performance and the push on prices by new suppliers and technologies.

These levels also influence the counter-push for efficiencies by marketing research managers. Custom budgets reflect the current marketing practices as well as the other influences. Thus, the expenditure shifts found in this study suggest a renewed emphasis on new product development.

Market research expenditures by purpose

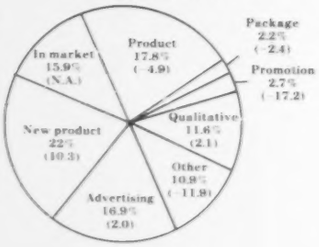
Expenditure breakdown

	1985 average ($ 000)	Per cent change from 1984
Market measurement	4,755.4 (41%)	12.9
Custom	6,863.5 (59%)	2.2
Total	11,618.9	6.5%

Source: University of Georgia Center for Marketing Studies survey

Custom distribution breakdown

(Per cent change from 1984)



Ilene Brown to vp, client services, eastern group, NPD Package Goods Division, the NPD Group, Port Washington, N.Y.

Mike Oak to vp, operations, NPD/MARKETRAX service.

Robert Shaw to senior vp, regional manager, Burke Marketing Research, Dallas, from director, client service, Burke Marketing Research, Cincinnati.

Sherry Pollack Burford to research executive from research director, Opinion Research, Princeton, N.J.

Roy Baldassari to vp, Response Analysis, Princeton, N.J.

Rick Rinzler to research account executive, Research 100, Princeton, N.J., from senior project director.

A.J. (Bert) Kretch to executive vp and executive director, USA, for Nielsen Marketing Research, Northbrook, Ill., from president of the Nielsen in Japan and executive director of the Canada-Pacific area, which includes Australia, Canada, Japan, Korea and New Zealand. He succeeds **Donald R. McCurry** who has retired.

Lisa Freedman to manager, marketing research services, Arbitron Ratings, Laurel, Md., office, responsible for all customized research studies, from project director.

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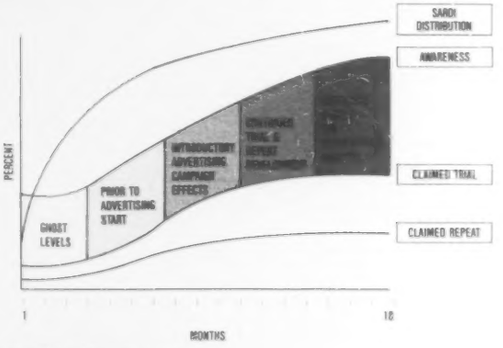

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Labatt hops into Europe and U.S.

By TONY THOMPSON

TORONTO—Labatt Brewing Co., Canada's leading beer marketer, will target the U.S. and Europe next year in its worldwide prowl to increase sales.

As its first step, the brewer has named John Morgan, now general manager of Labatt's Ontario region, president of Labatt Breweries of Europe, effective Dec. 15.

Mr. Morgan will initially work from Labatt's head office here, but he is expected to move to Europe, probably the U.K., early next year.

Sid Oland, Labatt Brewing president, said the brewer's "Blue" label now has only a small presence in Europe, but added, "You'll find we will become much more visible in the coming months."

Among Mr. Morgan's top priorities in his new post will be to hire an advertising agency for Europe.

"We only have a small agency in England at the moment, producing p.o.p. and that sort of stuff," Mr. Oland said.

Since Labatt is Canada's fourth-biggest spender in advertising, at $24.5 million annually, there is likely to be some competition for the account.

In Canada, the Labatt account is shared between four U.S.-owned shops: Scali, McCabe, Sloves; Enterprise (a J. Walter Thompson Co. subsidiary); McCann-Erickson, and Young & Rubicam. D'Arcy Masius Benton & Bowles handles Budweiser in Canada, which Labatt brews and markets through a licensing agreement with Anheuser-Busch. Hill, Holliday, Connors, Cosmopulos, Boston, handles Labatt Importers in the U.S.

Mr. Oland said Labatt will look for licensing agreements with European brewers to make Labatt brands. He also did not rule out the possibility that Labatt might purchase a European brewery.

In the U.S., activity is expected to increase next year as Labatt tries to overtake Canadian import leaders Molson and Moosehead.

"We were the fastest-growing [Canadian] import in the U.S. last year," Mr. Oland maintained.

One analyst agreed that Labatt has a good chance to increase its U.S. market share.

"If Labatt can position itself as truly Canadian, then they have a very good chance in the U.S.," said Ed Ogiba, managing director of Product Initiative, a Darien, Conn.-based new-product consultancy. "But with Molson and Moosehead well established as Canadian brews, they may find it difficult to differentiate their brand. However, there is certainly a growing market for imports among U.S. beer drinkers."

"We are going to be competing quite aggressively," said Rich Fogarty, president of Labatt Importers USA, a wholly owned Labatt subsidiary. "We've been testing Schooner [a Labatt brand] primarily in New England and we are starting to see some numbers that are very positive."

Labatt already holds a 41% share of the Canadian market, but problems on the homefront are forcing the brewer to look elsewhere for growth.

In addition to the flat Canadian market, the U.S. and Canadian governments are negotiating the possibility of allowing duty-free American-brewed beer in Canada.

If that happens, Labatt is worried that U.S. brews will flood the Canadian market by shipping surplus capacity north.

Also, the major Canadian brewers now maintain price parity for similar quality brands, but they are worried that duty-free U.S. brews will engage in predatory pricing.

Already, in western Canada, Pabst Brewing Co. and G. Heileman Brewing Co. have entered the import market with their Olympia and Ranier brands, respectively.

Both have undercut Canadian brewers' prices.#

World News Roundup

(Continued from Page 3)

characters as well as videocassettes, books and records of BBC programs.

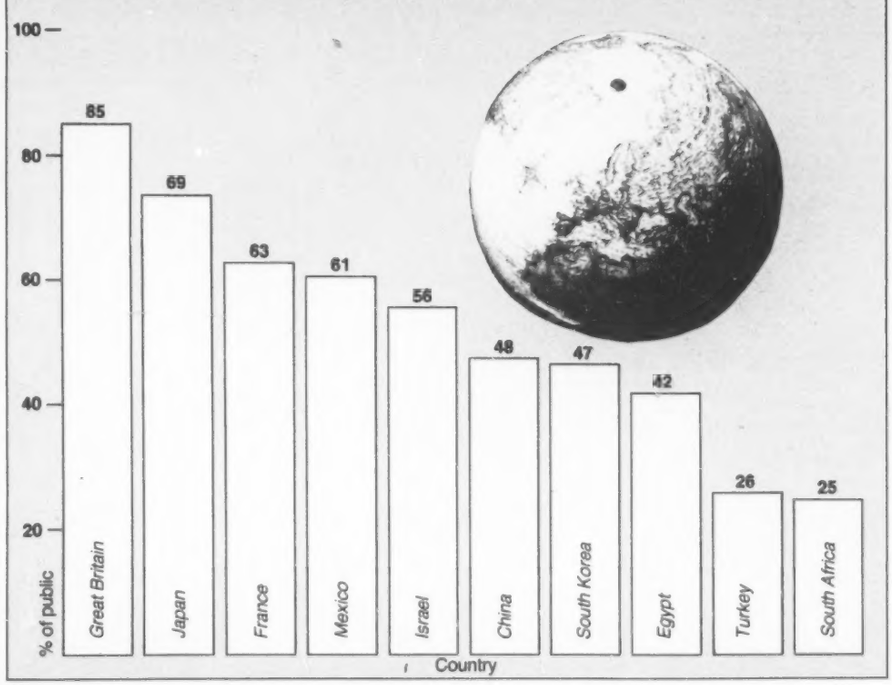
LONDON—General Motors Corp. launched the Vauxhall Carlton car in a $3 million campaign via Lowe Howard-Spink Marschalk Ltd. A similar campaign will break in Germany via Lowe Marschalk Luerzer.

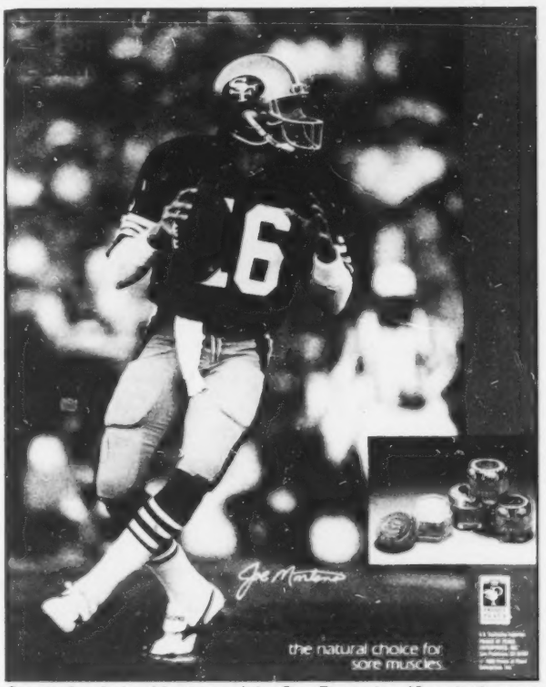
BEIJING—The Chinese government approved German businessman Hubertus Faber-Castell's proposal to build two tv stations, each with 40 minutes of daily ad time.

BARCELONA—Levi Straus de Espana moved its $1 million account to Bassat, Ogilvy & Mather from McCann-Erickson.

America's friends and foes

In an October survey of 1,000 adults asking which foreign countries were a "friend of the U.S.," a majority of respondents chose Japan over every other nation except the U.K. South Africa came in last. Respondents rated the countries on a scale from 1 to 10, where 10 represented "a very good friend of the U.S." and 1 represented "not a friend at all."
Source: Market Facts TeleNation survey, Washington, D.C.





Quarterback Joe Montana of the San Francsico 49ers is the new star presenter for Tiger Balm ointment in print ads headlined "Joe Montana goes for the balm."

Balms away

QB pitches for Asian ointment

By STEPHANIE YANCHINSKI

SINGAPORE—An Asian conglomerate has enlisted the aid of San Francisco 49ers quarterback Joe Montana to capture a slice of the estimated $300 million U.S. analgesic ointment market.

Tiger Balm, a powerful topical muscle rub made entirely from herbs, is marketed by Haw Par Brothers International, a widely diversified, Singapore-based marketer with annual sales of $118.4 million in about 66 countries worldwide. The product has sales of $100 million a year, but is marketed primarily in Asia.

Industry observers say it will be difficult for Haw Par to crack the U.S. market because of subtle prejudices against Eastern products considered either inferior copies or quirky exotica. They point out that, aside from the Japanese, few companies from the Pacific Rim have established a presence elsewhere under their own name.

But Haw Par is hoping Mr. Montana will convince the growing number of athletes and health-conscious Americans who use muscle rubs in their daily workouts to switch to Tiger Balm.

Haw Par's international marketing manager, Jimmy Chong, said he believes that, instead of being a liability, Tiger Balm's exotic aura and naturalness will set it apart from the competition.

"Americans are adventurous," Mr. Chong said. "But at the same time they like natural products they can feel safe with. So the notions of 'all natural' and 'safe' will figure strongly in all our advertising campaigns."

Haw Par's biggest challenge will be to change the image the product now has. While athletes such as Mr. Montana and tennis star Billy Jean King use muscle rubs to limber up and treat bruises and sprains, the product has traditionally been used for treatment of a variety of chronic ailments among the elderly.

Reaching a younger audience will require a major image reorientation, not only in the U.S. but in Europe. Haw Par is counting on its ad campaign to accomplish that.

With funds limited to no more than several million dollars a year spread across the U.S. and Europe, the company plans strategic placement of print ads featuring Mr. Montana and other sports figures in upmarket sports magazines like *Sports Fitness* and *Runner's World* and newspapers distributed nationwide, such as the *National Enquirer*. Tv will be used sparingly in certain states on the West Coast and in New York.

"The U.S. is such a huge market that we must rely on regional television," Mr. Chong says "and as each region is successful we will keep on advancing" across the country.

Sports sponsorships will also figure highly. The company already participates in prestige sports events such as the Boston Marathon, the Bay to Breakers Run in San Francisco and is lobbying hard to become the official rub of the 1988 Winter Olympics in Calgary. Mr. Chong said Tiger Balm has already been approved as the official ointment of the America's Cup yacht competition.

The current campaign is handled by Gregory Atwood Design

(Continued on Page 51)

Reid

(Continued from Page 3)

McCann-Erickson president John McNamara put it.

SSC&B has Coca-Cola Classic and Diet Coke, McCann handles Coke and Cherry Coke.

Other agencies are Burrell Advertising, Chicago, for black consumer advertising, and Castor Spanish International, New York, for Hispanic advertising.

A striking contrast to his intense, high-spirited predecessor, Sergio Zyman, in both appearance and personality, Mr. Reid calls himself a "team player" who likes to accomplish things "through the system."

Accomplishing things is what is top-of-mind right now as he sets goals for the coming year and beyond. Completing a year in which colas were a No. 1 priority, Mr. Reid enters 1987 committed to making Sprite and Minute Maid orange soda the No. 1 products in their respective flavor segments.

While he admits those are tough assignments, he plans to achieve that goal by 1990 for Sprite and, for Minute Maid orange, within a year after it is fully national.

During each 1987 quarter, Mr. Reid will impose a special focus on a different segment of the soft-drink market. For example, during the first quarter, emphasis will be on diet products, including the sponsorship of an NBC-TV special starring the Pointer Sisters, the singing group Coca-Cola just signed to endorse Diet Coke (AA, Nov. 17).

More important for next year, Mr. Reid is keen on what he terms "integrated marketing," or "the ability to orchestrate all of our brands together into an integrated plan so that they all work together synergistically." The approach also involves making sure the national strategy is carried through to the local level.

Unwilling to cite a specific figure, Mr. Reid said Coca-Cola USA will be quite aggressive next year in regard to ad spending levels, hiking this year's budget. Plans also call for a 70%/30% spending ratio for Coca-Cola Classic versus the upstart Coke. Measured media figures put the company's soft-drink spending at $75 million for the first half of this year.

Even though the company's cola business responded well this year to the special focus it received, Mr. Reid hopes to continue the momentum and expand Coca-Cola Classic's leadership even more.

Giving him good reason for optimism is research that shows strengthening loyalty to Classic. In 1984, 20% of consumers that Coca-Cola polled routinely named Coke as their favorite brand. By September of this year, that figure for what is now called Coca-Cola Classic had grown to 30%. Other research indicated that, in 1984, 26.9% of Coke drinkers drank it exclusively; the figure rose to 41.3% for Coca-Cola Classic in the September period.

If there were ever any thoughts of switching the flagship brand back to its original name, this research ended them.

"When you ask me about the name, the best way I can answer that is to say I love the name Coca-Cola Classic. Consumers are wearing the word Classic like a badge," Mr. Reid said.

Mr. Reid said the company is working hard to develop advertising that captures the brand's strong attractions. "We know it is a big, robust, emotional brand, and it carries a lot of very favorable imagery in the minds of the consumer. We want our advertising to reflect that."

As for the new-formula Coca-Cola, or Coke, which is now aimed at teens, Mr. Reid said he is so pleased with the Max Headroom relationship that there will be even more tie-ins next year.

Max, especially popular with younger, video-friendly people, is the partially computer-generated video talk-show host brought here after a successful run in London.

"We think he not only belongs in advertising but in every form of media and advertising that we have. . .from the tv set to the point of sale," Mr. Reid said. "Max provides us with the perfect vehicle to do that."

Mr. Reid attributes much of Coke's success to Max as well as the "Catch the wave" ad theme, which is expected to continue. Coke has now achieved a level—as of July—of a very successful new product, Mr. Reid claimed. With a 2%-to-2.5% total share of the soft-drink business, the product is helping the company achieve its broad goal of expanding the entire cola business, Mr. Reid indicated.

In a turn of events, Coke now is evaluating a taste-test program conducted in 20 cities this past summer. Mr. Reid claims tests show consumers who come in preferring Pepsi end up showing a strong preference for Coke.

That program, which provides as much as $100 to local nonprofit organizations agreeing to participate in the test, may be expanded.

Also expected to add to the cola business is Cherry Coke, described by Mr. Reid as a "change of pace" drink for cola drinkers. He said this brand has taught the company a great deal about energizing and leading the cola business.

While he would not go so far as to say Sprite lemon/lime has been neglected in the attempt to strengthen colas, Mr. Reid noted that Sprite is "going on the offensive in 1987." Despite the emphasis on colas, Sprite has not performed badly, he indicated. "Brand 7UP is down 15% to 20% in volume; [Pepsi's] Slice lemon/lime is down 35% during this period. Sprite is down only one-tenth of a point—insignificant compared to the losses of the other lemon/limes," he asserted.

In the orange-flavor segment, the battle also will turn into another rivalry between Coca-Cola and Purchase, N.Y.-based Pepsi-Cola Co. Pepsi's Slice orange only recently moved up to claim the No. 1 spot in that segment.

Despite Pepsi's assertion that Coca-Cola is having a difficult time transferring a strong orange juice trademark into a soft-drink brand, Mr. Reid indicated the company's focus on colas is the only thing that has kept it from putting more effort into Minute Maid.

Mr. Reid said the company is willing to co-exist as a bottler with other orange soft-drink marketers, paving the way for the brand's national rollout soon from its present 60% of the country.#

Photo by Larry Adams

JOHN REID

Readings from Reid

ATLANTA—Coca-Cola USA senior vp-marketing John Reid on:

Agency conflicts: "I don't have a point of view yet. I'm watching the debate with great interest, and I will develop a point of view over time. I'm trying to watch for a while and see how things evolve. I think it's an interesting issue and one that we need to get at." (Coca-Cola Co. has no stated corporate policy on conflicts, officials said.)

Sales promotion: "I strongly believe that the soft-drink system has been and will continue to be balanced between traditional pull activities and traditional push activities. I don't see the balance changing. I think this whole integrated marketing approach is not so much an attempt to change that balance but to see that they work together because that is where the opportunities lie."

Role of agency: "My role is just to let competent people do their jobs and hold them accountable. I've tried not to be a developer of advertising. I think that's the role of our advertising agencies. Having [given his blessing to the agency people working on his business] and assigned them the title of 'competent,' I think their job is to deliver the goods, and my job is to hold them accountable for delivering them."#

UAL

(Continued from Page 3)

from RCA Corp. for $587.5 million.

Along with United, Hertz and Westin, Mr. Zeeman now is responsible for overseeing operations of Apollo Travel Services, the computer reservations system; Mileage Plus Inc., United's frequent-flier program, and United Vacations, a tour operator.

In an interview with ADVERTISING AGE, Mr. Zeeman, a former Burnett executive, said "the opportunities are as broad as your imagination" for UAL to further establish its dominant position as the No. 1 airline "brand" and the top car-rental company.

United's 17% year-to-date market share is up from 14.9% last year, when the airline was hurt by lingering effects of a pilot's strike. Executives predict United's 1986 results will be "significantly ahead" of last year.

Houston-based Texas Air Corp., parent of Continental Airlines and New York Air, will vault ahead of UAL as the largest airline company—with a combined 19% share—if it completes planned acquisitions of Eastern Air Lines and People Express Airlines.

Hertz commands 32.8% of airport car rentals, far ahead of nearest rival Avis Rent-a-Car, Garden City, N.Y.

Since the Hertz acquisition, United reservations agents have used UAL's sophisticated Apollo computer system to cross-sell Hertz car rentals to airline passengers.

In Denver, now among the most competitive of airline markets, United has installed check-in counters at the Hertz drop-off location to save travelers the hassle of dropping off their luggage before they return a car. The service will be expanded to Chicago, Los Angeles and Washington's Dulles International Airport by yearend.

The joint efforts also have taken more subtle approaches. In January, UAL will drop all competing travel advertisers from its airborne short-subject videos and its in-flight magazine, *United*.

> "Some companies will probably go out of their way to not do business with us."
>
> ***—John Zeeman, exec vp-marketing and planning, UAL Inc.***

But UAL's trump card may be discounting programs for corporations, now spreading from the car-rental industry to several airlines, including Continental. United has so far resisted the practice, but says it's "not inconceivable" that it may become more common.

United Vacations, the tour operator, will execute many of the United/Hertz/Westin joint marketing programs, with coordination from Mr. Zeeman and United's vp-advertising John Ruhaak, also a former Burnetter.

The new account at Burnett will bill between $3 million and $5 million in 1987, Mr. Zeeman said.

Hertz agency Scali, McCabe, Sloves, New York, and Westin agency DYR, Los Angeles, will not participate in the joint marketing programs.

United Vacations already has packaged tours to Hawaii, the Pacific and elsewhere, using its three travel providers. Hertz discounts are packaged with United airfares to vacation spots such as Hawaii and Florida. The tour operator fed 55,000 Hawaii-bound passengers to United this year, Mr. Zeeman said, and will provide it with 120,000 to 150,000 more in 1987.

In addition, the unit uses marketing tools to solve logistical problems among its sister companies: When Hertz needed to move 800 cars from Denver to Phoenix, for example, United Vacations created a drive-there/fly-back package that sold out in one day, accomplishing Hertz' objective "at a profit instead of a cost," Mr. Zeeman said.

The combined marketing clout is not without cost, however, to both members and promotional partners in United's Mileage Plus program, which claims 4½ million members. Budget Rent a Car Corp. and Hyatt Hotels Corp., both Chicago, next month will end their participation in United's Mileage Plus program, and Northwest Airlines, St. Paul, Minn., has "eliminated most promotional ties" with Hertz.

"Some companies will probably go out of their way to not do business with us," Mr. Zeeman said. He called such moves "shortsighted," and said "It doesn't have to be a situation where the only other travel-related companies we work with are those we have to own ourself."

Hyatt and other hotel chains perhaps have less to fear from UAL because Westin is the weakest link in the company's mounting travel empire. Westin has 61 hotels, mainly in the U.S. and Pacific countries.

The Hilton International acquisition, however, would add 96 more hotels in 44 countries worldwide, immediately boosting UAL's share among worldwide hotel companies, according to estimates by Laventhol & Horwath, a Philadelphia-based accounting company.#

Burger

(Continued from Page 6)

tober are typically slow advertising months for camera companies as they gear up for Christmas sales. Kodak remains in first place, followed by Canon USA with 11.5% of first mentions and Minolta Corp. with 6.2%.

- General Foods Corp.'s Maxwell House, September's top gainer, lost 4.8 points, dropping its share of first mentions to 23% and dropping it to the No. 2 spot in the **coffee** category. Procter & Gamble's Folgers moved into the top slot with 23.8% of first mentions, while GF's Sanka was third with 5.2%.
- Among **wine** advertisers, awareness of Villa Banfi USA's Riunite advertising was off 5.5 points (the largest drop in the October survey). The brand in October received 4.5% of first mentions, keeping it in third place. Bartles & Jaymes' ads remain No. 1 with 15.4% of first mentions, while Gallo is second with 7.8%.#

For more information, contact Gary Gabelhouse, SRI Reseach Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

Bates' Mars business to Saatchi

By LAUREL WENTZ

LONDON—Mars Inc. is moving three U.K. candy brands, worth an estimated $18 million in billings next year, to Saatchi & Saatchi from Saatchi-owned Ted Bates Ltd., Mars' largest U.K. agency.

However, Bates will keep $3 million worth of additional confectionery business, as well as the $15 million account of Mars' Pedigree Pet pet-foods division.

Bates was widely expected to lose some or all of its U.K. Mars billings to rival Mars agencies Grey Ltd. or D'Arcy Masius Benton & Bowles.

This is the second time in one month that Saatchi has stepped in to share a Bates multinational account. Saatchi recently intervened to handle jointly Bates' $30 million pan-European DHL courier business (AA, Nov. 10).

In the latest moves, Saatchi took over Mars' $3 million account for Marathon peanut and chocolate bar, the $3 million account of Opal Fruits chewy fruit squares business and the M&M's account.

M&M's has been tested in the northeast part of the U.K. since July, 1985. But sources say the brand will be rolled out nationally in 1987 with ad support totaling almost $12 million.

Bates will retain Mars' Lockets and Tunes cough-drop brands, with estimated billings of $3 million.#